



**KENNETT CONSOLIDATED SCHOOL DISTRICT  
KENNETT SQUARE, PENNSYLVANIA**

**AUDIT REPORT**

**JUNE 30, 2025**

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KENNETT CONSOLIDATED SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

December 4, 2025

Members of the Board  
Kennett Consolidated School District  
Kennett Square, Pennsylvania

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kennett Consolidated School District (the District), Kennett Square, Pennsylvania, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 the Kennett Consolidated School District, Kennett Square, Pennsylvania, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

Members of the Board  
Kennett Consolidated School District

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.

Emphasis of a Matter

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the requirements of GASB Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. As a result, the District has restated its governmental activities net position as of July 1, 2023. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2024 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in our report dated October 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, and schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, and schedule of changes in the District's net OPEB liability - single employer plan on pages 65 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Members of the Board  
Kennett Consolidated School District

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements and schedules included within the financial section, including the supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2025**

This section of the Kennett Consolidated School District's ("the District") annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$27,497,502. This is due to the recognition of the District's share of the net pension liability of the Public School Employees Retirement System of Pennsylvania ("PSERS") as required by Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions" and the District's net other postemployment benefits ("OPEB") liability as required by GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The District's allocation of PSERS net pension liability is \$95,178,000, and the District's net OPEB liability is \$14,250,000. As a result, the District's unrestricted net position is \$(108,415,278).
- The District's net position increased by \$14,969,848 during the current fiscal year. The increase in net position is primarily due to an increase in net investment in capital assets relating to the construction at New Garden Elementary and Greenwood Elementary schools.
- The District's governmental funds reported a combined ending fund balance of \$87,578,531, reflecting a decrease of \$14,739,686 from the prior year. This reduction is primarily attributed to expenditures associated with the construction of the District's two new elementary schools. Approximately 9.3 percent of the total balance, or \$8,129,663, remains available for discretionary spending at the District's direction.
- The District issued General Obligation Bond Series of 2025 in April of 2025. Series of 2025 was issued in the amount of \$34,800,000. The funds will be used toward the current building projects at New Garden Elementary and Greenwood Elementary.
- At the end of the fiscal year, the General Fund's unassigned balance was \$8,129,663, representing 7.65% of total expenditures. The District also committed \$550,000 in 2023-2024 and an additional \$203,858 in 2024-2025 to help offset increased debt service payments anticipated in 2025-2026.
- The District's total liabilities increased by \$29,872,674, or 13.6 percent, during the fiscal year. The increase is primarily due to changes in the District's general obligation bonds payable in future years of \$113,688,757.
- The net position of business-type activities, the food service operation, increased by \$137,315. The food service operation was allocated one percent of the District's net pension liability for PSERS and net OPEB liability, which is \$951,779 and \$142,500 for the current year, respectively. Revenues for the food service operation decreased by 2.6 percent to \$2,146,165 and expenses decreased by 16.1 percent to \$2,008,850.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements, which present different views of the District. The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District which report the District's operations in more detail than the government-wide statements. The 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 fund statements offer short 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, such as student activity funds and the scholarship fund. The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data.

The following chart summarizes the major features of the District's financial statements. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

**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 and self-insurance                                                                           | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies                                                      |
| Required financial statements                                                                  | <ul style="list-style-type: none"> <li>Statement of Net Position</li> <li>Statement of Activities</li> </ul>                                          | <ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>                                                                                         | <ul style="list-style-type: none"> <li>Statement of Net Position</li> <li>Statement of Revenues, Expenses, and Changes in Net Position</li> <li>Statement of Cash Flows</li> </ul> | <ul style="list-style-type: none"> <li>Statement of Fiduciary Net Position</li> <li>Statement of Changes in Fiduciary Net Position</li> </ul>                                                    |
| 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/deferred outflow of resources/liability/deferred inflow of resources information | All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term | Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term                          | All assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 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                                                                                                        |

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

**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 includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, the non-financial factors, such as changes in the District's property tax base and the condition or need for improvements or expansion to existing school facilities, are considered.

In the government-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services, and administrative services. Property taxes, along with state formula aid, finance most of these activities.
- **Business-type Activities:** The District operates a food service program and charges fees to staff, students, and visitors to help cover costs of the food service operation.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds – not the District as a whole. Funds are accounting components the District used to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

**Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

information does not encompass the additional long-term focus of the government-wide statements, additional information on a schedule following each of 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 proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. Proprietary funds are classified as enterprise or internal service. The District's *Enterprise Fund* (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the Food Service Fund.

Another type of proprietary fund, an internal service fund, is used to account for the operation of the District's self-insurance program for employee medical, prescription drug, and dental claims. An internal service fund uses the accrual basis of accounting which is the same as the enterprise fund; however, in the government-wide statements, an internal service fund is included with the governmental activities since it largely supports these activities.

**Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

**Impact of GASB Statements No. 68 and No. 71**

The District follows the accounting guidance of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measure Date - An Amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts).

The adoption of GASB Statements No. 68 and 71 has had and will continue to have a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing for certain retirement benefits to the work force.

More specifically, the District contributes to the PSERS, a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multi-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

pensions through the plan. The standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District will report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as expectation that the assets will grow at the long-term assumed rate of return on plan investments.

While the net pension liability is significant to the District's financial statements, it is a liability that the District has limited control over. In recent years, the PSERS employer contribution rate has risen significantly, from 4.78 percent in 2009 - 2010 to 33.9 percent in 2024 - 2025. These increases are expected to improve the plan's funding level, which should reduce net position in future years. This rate is anticipated to continue to increase to a level of 38 percent in future years. Senate Bill 1 of 2017, which took effect in 2019-2020, is intended to provide long-term reform to ensure the future sustainability of the pension system.

**Impact of GASB Statement No. 75**

The District follows the accounting guidance of GASB Statement No 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The purpose of this statement is to improve the transparency, consistency, and comparability of other postemployment benefits provided by state and local governments (e.g. school districts).

The adoption of GASB Statement No. 75 has had and will continue to have a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. Prior to the adoption of this standard, the OPEB liability was being recognized on an amortized basis over a term of 30 years in accordance with GASB Statement No. 45.

The following is a summary of the key changes as a result of the adoption of GASB Statement No. 75:

- The District must now recognize the net OPEB liability, as opposed to an amortized portion of the liability (the Net OPEB Obligation).
- The annual OPEB expense replaces the Annual Required Contribution ("ARC"), with faster recognition than what was previously required.
- Entry age normal cost method is required to determine liability.
- Discount rate is based on employer's assets and calculation of Actuarial Determined Contribution if prefunding. Since the District's plan is unfunded, a 20-year tax exempt municipal bond rate is utilized.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

- Enhanced disclosures of historical contributions, funded status, and basis for actuarial assumptions is required.
- Description of any benefit and assumption changes as well as an expanded Notes section and Required Supplementary Information ("RSI") required.

**Impact of GASB Statement No. 101**

The District implemented GASB Statement No. 101, "*Compensated Absences*," which establishes updated accounting and financial reporting requirements for compensated absences such as vacation, sick leave, and other forms of paid leave. The purpose of this statement is to enhance the consistency, comparability, and transparency of how governments recognize, and report leave benefits earned by employees.

Under the previous standard (GASB Statement No. 16), liabilities for compensated absences were generally recognized when the benefits vested or were expected to be paid. GASB 101 refines this guidance by requiring governments to recognize a liability and related expense as leave benefits are earned by employees, rather than when they are taken or paid.

The implementation of GASB 101 resulted in a change to the District's reporting of compensated absences and required an adjustment that decreased beginning net position for governmental activities.

**The following is a summary of the key changes as a result of the adoption of GASB Statement No. 101:**

- Liabilities for compensated absences are now recognized as benefits are earned, rather than when leave is taken or paid.
- The standard provides a single recognition model for all types of leave, improving consistency in reporting.
- Measurement of the liability is based on the amount of leave expected to be used or paid, incorporating relevant assumptions such as employee turnover and usage patterns.
- Leave that is more likely than not to be paid out must now be included in the liability, even if it does not vest
- Expanded disclosures are required, including descriptions of leave policies and the amounts recognized for compensated absences.

**Financial Analysis of the District as a Whole**

The District's net position was adversely affected by the District's recognition of its proportionate share of the net pension liability of the Public School Employees' Retirement System of Pennsylvania ("PSERS") and the District's net OPEB liability. For the current year, the District's share of the PSERS net pension liability is \$95,178,000, and the District's net OPEB liability is \$14,250,000. The total net position is \$27,497,502, resulting in a negative *unrestricted net position* of \$(108,415,278). The following table presents condensed financial information for the net position of the District as of June 30, 2025 and 2024.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

**Condensed Statement of Net Position**

|                                                     | Governmental Activities |               | Business-Type Activities |              | Total         |               |
|-----------------------------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
|                                                     | 2025                    | 2024          | 2025                     | 2024         | 2025          | 2024          |
| Current and other assets                            | \$118,223,666           | \$124,085,954 | \$ 2,159,699             | \$ 1,975,069 | \$120,383,365 | \$126,061,023 |
| Capital assets                                      | 146,500,970             | 91,066,985    | 144,577                  | 255,352      | 146,645,547   | 91,332,337    |
| Total Assets                                        | 264,724,636             | 215,152,939   | 2,304,276                | 2,230,421    | 267,028,912   | 217,383,360   |
| Deferred Outflows of Resources                      | 17,738,345              | 21,707,193    | 176,640                  | 218,630      | 17,914,985    | 21,925,823    |
| Total Assets and Deferred Outflows of Resources     | 282,462,981             | 236,860,132   | 2,480,916                | 2,449,051    | 284,943,897   | 239,309,183   |
| Other liabilities                                   | 30,365,735              | 23,345,521    | 45,151                   | 73,924       | 30,410,884    | 23,419,445    |
| Long-term liabilities                               | 217,712,690             | 194,735,629   | 1,102,529                | 1,198,355    | 218,815,219   | 195,933,984   |
| Total Liabilities                                   | 248,078,423             | 218,081,150   | 1,147,680                | 1,272,279    | 249,226,103   | 219,353,429   |
| Deferred Inflows of Resources                       | 8,127,586               | 7,354,215     | 92,706                   | 73,885       | 8,220,292     | 7,428,100     |
| Total Liabilities and Deferred Inflows of Resources | 256,206,009             | 225,435,365   | 1,240,386                | 1,346,164    | 257,446,395   | 226,781,529   |
| Net position:                                       |                         |               |                          |              |               |               |
| Net investment in capital assets                    | 28,924,896              | 70,420,280    | 144,577                  | 168,147      | 29,069,473    | 70,588,427    |
| Restricted                                          | 28,149,438              | 29,968,407    | -                        | -            | 28,149,438    | 29,968,407    |
| Unrestricted (Deficit)                              | (30,817,362)            | (87,480,941)  | 1,095,953                | 940,788      | (29,721,409)  | (86,540,153)  |
| Total Net Position (Deficit)                        | \$ 26,256,972           | \$ 12,907,746 | \$ 1,240,530             | \$ 1,108,935 | \$ 27,497,502 | \$ 12,527,654 |

A significant portion of the District's net position, \$28,924,896, reflects its investment in capital assets (land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$28,149,438, represents resources that are restricted for capital projects.

At the end of the current fiscal year, the District is reporting a negative unrestricted net position due to the application of GASB Statement No. 68 and GASB Statement No. 75. Total net position for the governmental activities and the business-type activities is positive. Balances for unrestricted net position for governmental activities was negative and business-type activities were positive for the prior fiscal year.

The District's net position increased by \$14,969,848 during the current fiscal year. The increase in net position is attributable to increase in net investment in capital assets. Governmental activities increased the District's net position by \$14,832,533, thereby accounting for the majority of the total growth in the net position.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes and the basic education subsidy provided by the Commonwealth of Pennsylvania.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

The following table presents condensed financial information from the statement of activities in a different format.

**Changes in Net Position from Operating Results**

|                                               | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|-----------------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                                               | 2025                    | 2024                 | 2025                     | 2024                | 2025                 | 2024                 |
| Revenues                                      |                         |                      |                          |                     |                      |                      |
| Program Revenues:                             |                         |                      |                          |                     |                      |                      |
| Charges for services                          | \$ 137,700              | \$ 126,367           | \$ 617,118               | \$ 555,102          | \$ 754,818           | \$ 681,469           |
| Operating grants and contributions            | 15,253,619              | 16,464,181           | 1,435,943                | 1,553,025           | 16,689,562           | 18,017,206           |
| General Revenues:                             |                         |                      |                          |                     |                      |                      |
| Property taxes and other taxes                |                         |                      |                          |                     |                      |                      |
| Levied for general purposes                   | 78,335,156              | 75,656,545           | -                        | -                   | 78,335,156           | 75,656,545           |
| State and federal aid                         | 10,636,126              | 9,788,177            | -                        | -                   | 10,636,126           | 9,788,177            |
| Other                                         | 6,335,192               | 5,081,360            | 93,104                   | 95,987              | 6,428,296            | 5,177,347            |
| Total Revenues                                | 110,697,793             | 107,116,630          | 2,146,165                | 2,204,114           | 112,843,958          | 109,320,744          |
| Expenses:                                     |                         |                      |                          |                     |                      |                      |
| Instruction                                   | 54,859,619              | 65,757,655           | -                        | -                   | 54,859,619           | 65,757,655           |
| Instructional support                         | 9,196,472               | 8,646,734            | -                        | -                   | 9,196,472            | 8,646,734            |
| Non-instructional services                    | 27,930,395              | 26,599,433           | -                        | -                   | 27,930,395           | 26,599,841           |
| Other                                         | 3,878,774               | 2,046,232            | 2,008,850                | 2,393,582           | 5,887,624            | 4,439,814            |
| Total Expenses                                | 95,865,260              | 103,050,054          | 2,008,850                | 2,393,582           | 97,874,110           | 105,443,636          |
| Increase (Decrease) in Net Position           | 14,832,533              | 4,066,576            | 137,315                  | (189,468)           | 14,969,848           | 3,877,108            |
| Beginning Net Position (Deficit),<br>Restated | 11,424,439              | 7,357,863            | 1,103,215                | 1,292,683           | 12,527,654           | 8,650,546            |
| Ending Net Position (Deficit)                 | <u>\$ 26,256,972</u>    | <u>\$ 11,424,439</u> | <u>\$ 1,240,530</u>      | <u>\$ 1,103,215</u> | <u>\$ 27,497,502</u> | <u>\$ 12,527,654</u> |

**Governmental Activities:** Total revenues increased by \$3,581,163 or 3.3 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$78,335,156, or 70.8 percent. The increase of \$2,378,611 (3.5 percent) is due to an increase in the millage rate of 2.7 percent and a recovery in the tax base, along with an increase in realty transfer and earned income taxes. Another \$10,636,126, or 9.6 percent, came from state and federal aid, such as the basic education and Title subsidies, respectively. The remainder, \$21,726,511 or 19.6 percent, came from various sources. Revenue of \$15,253,619 came from operating grants, including funds for special education, student transportation, retirement, and social security. Revenue of \$5,751,367 came from earnings on investments, revenue of \$137,700 came from fees charged for services, and other revenue amounted to \$583,825.

The total cost of all governmental programs and services decreased to \$95,865,260, a decrease of \$7,184,794, or 7.0 percent. The District's expenses are predominately related to instructing, caring for (instructional support services and operation/maintenance of school facilities) and transporting students, which represents \$91,986,486, or 96.0 percent, of total expenses. Total revenues exceeded total expenses, which produced an increase in net position of \$14,832,533 over the past year.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

Presented below is the cost of four major District activities: instruction, instructional support, non-instructional services, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. The net cost of all governmental activities decreased by \$5,985,565 to \$80,473,941. The state and federal governments subsidized certain programs with capital and operating grants and contributions totaling \$15,253,619. Charges for services decreased by \$1,327,644 from the prior year.

**Net Cost of Governmental Activities**

|                            | Total Cost<br>of Services |                      | Percentage<br>Change | Net Cost<br>of Services |                      | Percentage<br>Change |
|----------------------------|---------------------------|----------------------|----------------------|-------------------------|----------------------|----------------------|
|                            | 2025                      | 2024                 |                      | 2025                    | 2024                 |                      |
| Functions/Programs         |                           |                      |                      |                         |                      |                      |
| Instruction                | \$ 54,859,619             | \$ 65,757,655        | -16.6%               | \$ 44,318,942           | \$ 53,545,338        | -17.2%               |
| Instructional support      | 9,196,472                 | 8,646,734            | 6.4%                 | 8,389,407               | 7,877,968            | 6.5%                 |
| Non-instructional services | 27,930,395                | 26,599,433           | 5.0%                 | 24,310,706              | 23,436,942           | 3.7%                 |
| Other                      | 3,878,774                 | 2,046,232            | 89.6%                | 3,454,886               | 1,599,258            | 116.0%               |
| Total                      | <u>\$ 95,865,260</u>      | <u>\$103,050,054</u> | <u>-7.0%</u>         | <u>\$ 80,473,941</u>    | <u>\$ 86,459,506</u> | <u>-6.9%</u>         |

**Business-type Activities:** Business-type activities increased the District's net position by \$137,315. Total revenues decreased by \$57,949 over the prior year. The United States Department of Agriculture (USDA) continued several waivers allowing the District to feed all children, 18 and under, this additional revenue along with the return of revenue from sales of non-reimbursable food items was the contributing factors. Total expenses also decreased by \$384,732, or 16.1 percent, as a result of increased volume. In addition to the District-wide financial statements, the Food Service program is reported in greater detail in the proprietary fund statements.

The table below reflects the activities of the Food Service program, the only business-type activity of the District.

**Net Cost of Business-type Activities**

|               | Total Cost<br>of Services |                     | Percentage<br>Change | Net Cost<br>of Services |                     | Percentage<br>Change |
|---------------|---------------------------|---------------------|----------------------|-------------------------|---------------------|----------------------|
|               | 2025                      | 2024                |                      | 2025                    | 2024                |                      |
| Food services | <u>\$ 2,008,850</u>       | <u>\$ 2,393,582</u> | <u>-16.1%</u>        | <u>\$ 44,211</u>        | <u>\$ (285,453)</u> | <u>-115.5%</u>       |

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

**Financial Analysis of the Government's Funds**

**Governmental Funds**

At the end of June 30, 2025, governmental funds had total fund balances of \$87,578,531, a decrease of \$14,739,686 in comparison with the previous year. Approximately 7.8 percent of this total amount, \$8,129,663, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted or committed* to indicate that it is not available for new spending because it has already been committed for capital projects or other expenditures.

The general fund is the chief operating fund of the District. At the end of the previous fiscal year, unassigned fund balance of the general fund was \$8,129,663, the District committed \$1,500,000 for use in 2024-2025 and \$550,000 for use in 2025-2026, in the current year the district committed an additional \$203,858 for use in 2025-2026 to offset a temporary increase in debt service payments.

In 2024-2025 the District issued General Obligation Bond Series of 2025 in April of 2025. Series of 2025 was issued in the amount of \$34,800,000. The capital projects fund had a restricted balance of \$50,544,431, on June 30, 2025. The restricted fund balance will be used toward future building projects at New Garden Elementary and Greenwood Elementary.

The capital reserve fund has a total fund balance of \$28,149,438, all of which is restricted for capital improvements. Receipts for this type of capital reserve fund come from transfers during or at the end of the fiscal year from appropriations in the general fund when there is a surplus. The net decrease in fund balance during the current year in the capital reserve fund was \$1,818,969. The capital reserve fund received transfers from the general fund of \$1,786,139. The capital reserve fund had expenditures of \$4,800,457 for a variety of facility improvements including renovations to the High School Annex, District Office expansion project, new roofing at Mary D. Lang Kindergarten Center and Kennett High School.

**Proprietary Funds**

The unrestricted net position of the food service fund at the end of the year amounted to \$1,095,953. The net position for this fund increased by \$137,315. Factors concerning the finances of this fund are addressed in the discussion of the District's business-type activities.

The District's internal service fund is used to account for the operation of its self-insurance program for employee medical, prescription drug, and dental claims. The unrestricted net position of the internal service fund at the end of the year amounted to \$6,921,566 and represents resources accumulated for anticipated future losses. The net position for this fund increased by \$1,074,595, due increased charges for health insurance. This residual balance is reported in the governmental activities since the services provided primarily benefit the governmental activities.

**General Fund Budgetary Highlights**

During the fiscal year, the Board of School Directors authorizes transfers between functional categories to accommodate differences from the original budget to the actual expenditures. A schedule showing the District's original budget and final budget amounts compared to amounts actually received or disbursed is provided in the financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

While the District's original budget for the general fund anticipated a balanced budget, the actual results for the year reflected a surplus of \$440,123 prior to transfers. An amount of \$1,786,139 was transferred to the District's capital reserve fund for anticipated capital improvements as outlined in the District's five-year plan. \$1,500,000 of committed funds were used to offset expenses related to debt service. The net deficiency after the transfer decreased the general fund's fund balance by \$956,041 to \$8,884,662.

Significant variances between the final budget and actual revenue occurred in local sources of revenues as a result of a healthier than anticipated employment market. The most significant increase was seen in investment earnings. The following are the major factors that contributed to the variance in revenues:

- Increases in delinquent tax collection resulted in additional revenues of \$808,002.
- Increases in investment earnings resulted in additional revenues of \$998,864.
- Increases in earned income taxes resulted in additional revenues of \$603,604.
- Increases in transfer tax collections resulted in additional revenues of \$123,859.
- Decrease in interim tax collections resulted in decreased revenues of \$546,624.
- Sale of fixed asset resulted in additional revenues of \$389,975.

The following are the major factors that contributed to the variance in expenditures:

- As a result of increased contracted services for classroom aids resulted in additional expenses of \$672,000.
- Increase interest expenses on debt service resulted in additional expenses of \$1,049,100.
- Increased instructional supplies resulted in additional expenditure of \$47,000.
- Increased special education intermediate unit services resulted in additional expenditures of \$1,362,311.
- Increase in special education personal care assistants resulted in additional expenditures of \$295,232.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2025, the District had investments of \$146,645,547 (net of depreciation) in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, fixtures, and equipment. This amount represents an increase of \$52,230,675, or 55.3 percent, for the year, the increase is attributed to the construction-in-progress for New Garden Elementary School and Greenwood Elementary School. Total depreciation expense for the year amounted to \$7,105,095. More detailed information about capital assets can be found in Note 7 to the financial statements.

|                                    | Governmental Activities |              | Business-type Activities |      | Totals       |              | Percentage Change |
|------------------------------------|-------------------------|--------------|--------------------------|------|--------------|--------------|-------------------|
|                                    | 2025                    | 2024         | 2025                     | 2024 | 2025         | 2024         |                   |
| Land                               | \$ 3,060,599            | \$ 3,060,599 | \$ -                     | \$ - | \$ 3,060,599 | \$ 3,060,599 | 0.0%              |
| Construction-in-progress           | 58,859,162              | 7,915,968    | -                        | -    | 58,859,162   | 7,915,968    | 643.5%            |
| Building and building improvements | 82,228,456              | 80,767,037   | -                        | -    | 82,228,456   | 80,767,037   | 1.8%              |

Continued on next page

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

|                                 | Governmental Activities |                      | Business-type Activities |                   | Totals                |                      | Percentage Change |
|---------------------------------|-------------------------|----------------------|--------------------------|-------------------|-----------------------|----------------------|-------------------|
|                                 | 2025                    | 2024                 | 2025                     | 2024              | 2025                  | 2024                 |                   |
| (cont'd)                        |                         |                      |                          |                   |                       |                      |                   |
| Right to use lease asset        | 496,162                 | 234,241              | -                        | -                 | 496,162               | 234,241              | 111.8%            |
| Right to use subscription asset | 91,353                  | 178,459              | -                        | -                 | 91,353                | 178,459              | -48.9%            |
| Fixtures and equipment          | 2,115,646               | 1,645,142            | 144,577                  | 613,426           | 2,260,223             | 2,258,568            | -6.33%            |
| Total                           | <u>\$ 146,500,970</u>   | <u>\$ 93,801,446</u> | <u>\$ 144,577</u>        | <u>\$ 613,426</u> | <u>\$ 146,645,547</u> | <u>\$ 94,414,872</u> | <u>55.3%</u>      |

### Long-term Debt

As of June 30, 2025, the District had \$215,072,739 in outstanding long-term debt, an increase of \$21,107,417 or 10.9 percent, over last year. The District made annual debt service payments totaling \$7,020,000 and the general fund issued new debt in 2025. More detailed information about the District's long-term liabilities is presented Note 8 of the financial statements. The table below excludes the short-term portion of long-term debt.

#### Outstanding Long-term Liabilities – Governmental Activities

|                               | Totals                |                       | % Change     |
|-------------------------------|-----------------------|-----------------------|--------------|
|                               | 2025                  | 2024                  |              |
| General Obligation Bonds, net | \$ 109,017,519        | \$ 75,450,680         | 41.0%        |
| Leases Payable                | 171,658               | 216,973               | -            |
| Subscription Liability        | 90,885                | 114,718               | -20.8%       |
| Compensated absences          | 791,907               | 893,690               | -11.4%       |
| Net OPEB liability            | 13,414,500            | 15,773,670            | -15.0%       |
| Net pension liability         | 94,226,221            | 101,515,591           | -7.2%        |
| Total                         | <u>\$ 217,712,690</u> | <u>\$ 193,965,322</u> | <u>10.9%</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 could significantly affect its financial health in the future:

- June 30, 2027 will mark the expiration of the current five-year contract with the Kennett Education Association. The economic package (salaries and fringe benefits) over the next year provides for an annual increase of 3.7 percent and includes increasing employee contributions for healthcare costs.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

- July 31, 2027 will mark the expiration of the current six-year Student Transportation Agreement with the Krapf Bus Company. The agreement represents approximately five percent of the District's annual operating budget. The agreement had stipulated increases in the second, third and fourth years tied to the 12-month Calendar Consumer Price Index for Philadelphia-All Urban Consumers with a minimum of two percent and a maximum of five percent. Year five and year six provide for annual increases of 2.5 percent and 2 percent respectively.
- The District commissioned Sundance Associates of Cherry Hill, New Jersey to perform a comprehensive 10-year enrollment study. Sundance delivered their report entitled "Public School Enrollments for the Kennett Consolidated School District" in September 2021. The Methodology used in projecting enrollments is the recommended method of the Pennsylvania Department of Education (PDE) and is known as "Cohort Survival". The study finds data to support a slow downward trend in the District's enrollment from a high of 3,976 in 2021-22 to a low of 3,538 in 2029-30.
- In 2021 the School Board authorized the construction of two new elementary schools to replace the aged Greenwood and New Garden Elementary Schools. The new schools will be built on the existing sites and will not cause a disruption to the operation our educational programs. The Board subsequently engaged the professional architectural services of Breslin Architects, Allentown PA, and construction management services of D'Huy Engineering, Inc., Bethlehem PA, to design, bid, and construct the schools for an opening in September 2026. The total estimated project cost is \$107,000,000. The first borrowing, General Obligation Bond Series of 2022, occurred in November of 2022 in the amount of \$9,995,000. The second borrowing, General Obligation Bond Series of 2023, occurred in September 2023 in the amount of \$9,995,000. The third borrowing, General Obligation Bond Series of 2024, occurred in May of 2024 in the amount of \$46,625,000. The fourth and final borrowing General Obligations Bond Series of 2025, occurred in April of 2025 in the amount of \$34,800,000.
- Consistent with historical trends, the District expects state and federal funding for public education to remain relatively flat, which will result in the need for greater local tax effort to fund instructional programs and services. The Commonwealth of Pennsylvania provided only 21 percent of total revenue sources to fund costs supporting the District's educational programs during the past year. Local sources of revenue, primarily property taxes, now support 75 percent of the costs for educational programs and services in the District. The federal government provided 4 percent of the funds to support general operations.
- Special Session of Act 1 of 2006: The law limits real estate tax increases to an index established by the Pennsylvania Department of Education. Districts that cannot balance their budget, even after including revenue to be obtained by increasing taxes to the maximum extent allowed by the index, are eligible to seek back-end referendum exceptions. The exceptions are for costs that are beyond the direct control of local school boards. However, the number of exceptions has been reduced from seven to two; increases in contributions to the employee retirement system and mandated special education costs (Act 25 of 2011). The District's adjusted Act 1 Index for 2025-2026 is 4.0 percent and for 2026-2027 is 3.5 percent. The District does not need a referendum for the 2025-2026 budget nor does it anticipate needing one for the 2026-2027 budget.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2025**

- Senate Bill 1 of 2017: The bill offers a significant step toward systemic long-term reform intended to ensure the future sustainability of the pension system. The bill focuses on the long-term advantages by gradually shifting the investment, inflation and longevity risks away from the state and school districts to future employees. Current employees have a Defined Benefit (DB) plan, which provides them with a retirement payment determined by a formula that takes into account retirement age, years of service, and final average salary. A Defined Contribution (DC) plan is a retirement investment program that is designed to offer employees a vehicle to save for retirement in a tax deferred environment. The pension benefit is determined by the amount of the contributions and the investment performance of the member's account. The plan under Senate Bill 1 of 2017 requires employees starting in 2019-2020 to select one of three new plan design options, either one of two side-by-side hybrid defined benefit (DB)/defined contribution (DC) plans or a stand-alone DC plan. No changes were made to retirement benefits for current employees, but they would have the option to choose one of the new plan designs. The PSERS retirement rate decreased from 34.00 percent in 2023 - 2024 to 33.90 percent in 2024 - 2025. The PSERS projections indicate that employer contribution rates will increase to 34.00 percent in 2025 - 2026. Rates are projected into the future to increase to 37.30 percent by 2029 – 2030, further out than previously anticipated. Positive economic performance and plan design changes are expected to slow the employer rate increases and eventually lower them.

**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, Kennett Consolidated School District, 300 East South Street, Kennett Square, PA 19348.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**  
**(With Summarized Comparative Data for June 30, 2024)**

|                                                                                     | Governmental<br>Activities | Business-type<br>Activities | Totals                |                       |
|-------------------------------------------------------------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|
|                                                                                     |                            |                             | 2025                  | 2024                  |
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                                    |                            |                             |                       |                       |
| <b>ASSETS:</b>                                                                      |                            |                             |                       |                       |
| Cash and cash equivalents                                                           | \$ 12,352,869              | \$ 2,065,645                | \$ 14,418,514         | \$ 11,369,138         |
| Investments                                                                         | 101,948,979                | -                           | 101,948,979           | 110,576,672           |
| Taxes receivable, net                                                               | 1,343,355                  | -                           | 1,343,355             | 1,470,315             |
| Due from other governments                                                          | 2,470,797                  | 48,478                      | 2,519,275             | 2,539,485             |
| Internal balance                                                                    | 1,511                      | (1,511)                     | -                     | -                     |
| Other receivables                                                                   | 105,014                    | -                           | 105,014               | 95,308                |
| Prepaid expenses                                                                    | 1,141                      | -                           | 1,141                 | 10,105                |
| Inventories                                                                         | -                          | 47,087                      | 47,087                | 87,205                |
| Capital Assets:                                                                     |                            |                             |                       |                       |
| Land                                                                                | 3,060,599                  | -                           | 3,060,599             | 3,060,599             |
| Construction-in-progress                                                            | 58,859,162                 | -                           | 58,859,162            | 2,500,068             |
| Buildings and improvements                                                          | 156,673,061                | -                           | 156,673,061           | 153,750,597           |
| Right to use lease asset                                                            | 261,921                    | -                           | 261,921               | 496,162               |
| Right to use subscription asset                                                     | 178,459                    | -                           | 178,459               | 178,459               |
| Furniture and equipment                                                             | 8,031,605                  | 803,303                     | 8,834,908             | 8,433,883             |
| Accumulated depreciation and amortization                                           | (80,563,837)               | (658,726)                   | (81,222,563)          | (77,184,636)          |
| <b>TOTAL ASSETS</b>                                                                 | <b>264,724,636</b>         | <b>2,304,276</b>            | <b>267,028,912</b>    | <b>217,383,360</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                              |                            |                             |                       |                       |
| Deferred outflows relating to OPEB                                                  | 2,396,841                  | 22,879                      | 2,419,720             | 3,369,045             |
| Deferred outflows relating to pension                                               | 15,341,504                 | 153,761                     | 15,495,265            | 18,556,778            |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                         | <b>17,738,345</b>          | <b>176,640</b>              | <b>17,914,985</b>     | <b>21,925,823</b>     |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                              | <b>\$ 282,462,981</b>      | <b>\$ 2,480,916</b>         | <b>\$ 284,943,897</b> | <b>\$ 239,309,183</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>       |                            |                             |                       |                       |
| <b>LIABILITIES:</b>                                                                 |                            |                             |                       |                       |
| Accounts payable                                                                    | \$ 14,646,565              | \$ 35,966                   | \$ 14,682,531         | \$ 7,066,804          |
| Accrued salaries and benefits                                                       | 7,974,849                  | -                           | 7,974,849             | 7,758,552             |
| Unearned revenues                                                                   | -                          | -                           | -                     | 4,899                 |
| Accrued interest                                                                    | 274,222                    | -                           | 274,222               | 242,957               |
| Noncurrent liabilities                                                              |                            |                             |                       |                       |
| Portion due or payable within one year:                                             |                            |                             |                       |                       |
| Bonds payable in future years, net                                                  | 4,671,238                  | -                           | 4,671,238             | 7,311,189             |
| Lease liability                                                                     | 45,315                     | -                           | 45,315                | 41,635                |
| Subscription liability                                                              | 23,833                     | -                           | 23,833                | 20,617                |
| Net OPEB liability                                                                  | 693,000                    | -                           | 693,000               | 713,000               |
| Accumulated compensated absences                                                    | 2,036,711                  | 9,185                       | 2,045,896             | 259,792               |
| Portion due or payable after one year:                                              |                            |                             |                       |                       |
| Bonds payable in future years, net                                                  | 109,017,519                | -                           | 109,017,519           | 75,450,680            |
| Lease liability                                                                     | 171,658                    | -                           | 171,658               | 216,973               |
| Subscription liability                                                              | 90,885                     | -                           | 90,885                | 114,718               |
| Accumulated compensated absences                                                    | 791,907                    | 8,250                       | 800,157               | 2,390,613             |
| Net OPEB liability                                                                  | 13,414,500                 | 142,500                     | 13,557,000            | 15,220,000            |
| Net pension liability                                                               | 94,226,221                 | 951,779                     | 95,178,000            | 102,541,000           |
| <b>TOTAL LIABILITIES</b>                                                            | <b>248,078,423</b>         | <b>1,147,680</b>            | <b>249,226,103</b>    | <b>219,353,429</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                               |                            |                             |                       |                       |
| Deferred inflows relating to OPEB                                                   | 4,784,997                  | 47,932                      | 4,832,929             | 4,819,121             |
| Deferred inflows relating to pension                                                | 3,342,589                  | 44,774                      | 3,387,363             | 2,608,979             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                          | <b>8,127,586</b>           | <b>92,706</b>               | <b>8,220,292</b>      | <b>7,428,100</b>      |
| <b>NET POSITION (DEFICIT):</b>                                                      |                            |                             |                       |                       |
| Net investment in capital assets                                                    | 28,924,896                 | 144,577                     | 29,069,473            | 70,588,427            |
| Restricted - capital projects                                                       | 28,149,438                 | -                           | 28,149,438            | 29,968,407            |
| Unrestricted (deficit)                                                              | (30,817,362)               | 1,095,953                   | (29,721,409)          | (88,029,180)          |
| <b>TOTAL NET POSITION (DEFICIT)</b>                                                 | <b>26,256,972</b>          | <b>1,240,530</b>            | <b>27,497,502</b>     | <b>12,527,654</b>     |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b> | <b>\$ 282,462,981</b>      | <b>\$ 2,480,916</b>         | <b>\$ 284,943,897</b> | <b>\$ 239,309,183</b> |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**(With Summarized Comparative Data for the Year Ended June 30, 2024)**

|                                                             | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position (Deficit) |                          |                      |                      |
|-------------------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------------------------------|--------------------------|----------------------|----------------------|
|                                                             |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                                     | Business-type Activities | Totals               |                      |
|                                                             |                      |                      |                                    |                                  |                                                             |                          | 2025                 | 2024                 |
| GOVERNMENTAL ACTIVITIES:                                    |                      |                      |                                    |                                  |                                                             |                          |                      |                      |
| Instruction                                                 | \$ 54,859,619        | \$ 3,715             | \$ 10,531,636                      | \$ -                             | \$ (44,324,268)                                             | \$ -                     | \$ (44,324,268)      | \$ (53,545,338)      |
| Instructional student support                               | 9,196,472            | -                    | 918,661                            | -                                | (8,277,811)                                                 | -                        | (8,277,811)          | (7,877,968)          |
| Administrative and financial support services               | 10,742,956           | -                    | 976,022                            | -                                | (9,766,934)                                                 | -                        | (9,766,934)          | (9,083,193)          |
| Operation and maintenance of plant services                 | 8,493,213            | -                    | 771,628                            | -                                | (7,721,585)                                                 | -                        | (7,721,585)          | (7,464,091)          |
| Pupil transportation                                        | 5,993,644            | 37,790               | 1,386,430                          | -                                | (4,569,424)                                                 | -                        | (4,569,424)          | (4,657,974)          |
| Student activities                                          | 2,700,582            | 96,195               | 245,354                            | -                                | (2,359,033)                                                 | -                        | (2,359,033)          | (2,231,684)          |
| Community services                                          | -                    | -                    | -                                  | -                                | -                                                           | -                        | -                    | (2,333)              |
| Interest on long-term debt                                  | 2,516,618            | -                    | 423,888                            | -                                | (2,092,730)                                                 | -                        | (2,092,730)          | (472,166)            |
| Unallocated depreciation/amortization expense*              | 1,362,156            | -                    | -                                  | -                                | (1,362,156)                                                 | -                        | (1,362,156)          | (1,124,759)          |
| TOTAL GOVERNMENTAL ACTIVITIES                               | <u>95,865,260</u>    | <u>137,700</u>       | <u>15,253,619</u>                  | <u>-</u>                         | <u>(80,473,941)</u>                                         | <u>-</u>                 | <u>(80,473,941)</u>  | <u>(86,459,506)</u>  |
| BUSINESS-TYPE ACTIVITIES:                                   |                      |                      |                                    |                                  |                                                             |                          |                      |                      |
| Food service                                                | <u>2,008,850</u>     | <u>617,118</u>       | <u>1,435,943</u>                   | <u>-</u>                         | <u>-</u>                                                    | <u>44,211</u>            | <u>44,211</u>        | <u>(285,455)</u>     |
| TOTAL BUSINESS-TYPE ACTIVITIES                              | <u>2,008,850</u>     | <u>617,118</u>       | <u>1,435,943</u>                   | <u>-</u>                         | <u>-</u>                                                    | <u>44,211</u>            | <u>44,211</u>        | <u>(285,455)</u>     |
| TOTAL PRIMARY GOVERNMENT                                    | <u>\$ 97,874,110</u> | <u>\$ 754,818</u>    | <u>\$ 16,689,562</u>               | <u>\$ -</u>                      | <u>(80,473,941)</u>                                         | <u>44,211</u>            | <u>(80,429,730)</u>  | <u>(86,744,961)</u>  |
| GENERAL REVENUES                                            |                      |                      |                                    |                                  |                                                             |                          |                      |                      |
| Property taxes, levied for general purposes                 |                      |                      |                                    |                                  | 70,436,665                                                  | -                        | 70,436,665           | 68,153,831           |
| Taxes levied for specific purposes                          |                      |                      |                                    |                                  | 7,898,491                                                   | -                        | 7,898,491            | 7,502,714            |
| Grants and entitlements not restricted to specific programs |                      |                      |                                    |                                  | 10,636,126                                                  | -                        | 10,636,126           | 9,788,177            |
| Investment earnings                                         |                      |                      |                                    |                                  | 5,751,367                                                   | 93,104                   | 5,844,471            | 4,684,294            |
| Miscellaneous                                               |                      |                      |                                    |                                  | 583,825                                                     | -                        | 583,825              | 493,053              |
| TOTAL GENERAL REVENUES                                      |                      |                      |                                    |                                  | <u>95,306,474</u>                                           | <u>93,104</u>            | <u>95,399,578</u>    | <u>90,622,069</u>    |
| CHANGE IN NET POSITION (DEFICIT)                            |                      |                      |                                    |                                  | 14,832,533                                                  | 137,315                  | 14,969,848           | 3,877,108            |
| NET POSITION (DEFICIT), BEGINNING OF OF YEAR, RESTATED      |                      |                      |                                    |                                  | <u>11,424,439</u>                                           | <u>1,103,215</u>         | <u>12,527,654</u>    | <u>8,650,546</u>     |
| NET POSITION, END OF YEAR                                   |                      |                      |                                    |                                  | <u>\$ 26,256,972</u>                                        | <u>\$ 1,240,530</u>      | <u>\$ 27,497,502</u> | <u>\$ 12,527,654</u> |

\*This line item excludes direct depreciation expenses of the various programs  
The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2025  
(With Summarized Comparative Data for June 30, 2024)**

|                                                                                | General<br>Fund      | Capital<br>Projects Fund | Capital<br>Reserve Fund | Totals                |                       |
|--------------------------------------------------------------------------------|----------------------|--------------------------|-------------------------|-----------------------|-----------------------|
|                                                                                |                      |                          |                         | 2025                  | 2024                  |
| <b>ASSETS</b>                                                                  |                      |                          |                         |                       |                       |
| Cash and cash equivalents                                                      | \$ 3,058,590         | \$ 7,434,794             | \$ 861,185              | \$ 11,354,569         | \$ 7,596,164          |
| Investments                                                                    | 18,079,530           | 52,086,105               | 26,327,784              | 96,493,419            | 105,769,918           |
| Taxes receivable                                                               | 1,362,836            | -                        | -                       | 1,362,836             | 1,489,795             |
| Due from other funds                                                           | 1,511                | -                        | 1,786,139               | 1,787,650             | 6,220,088             |
| Due from other governments                                                     | 2,470,798            | -                        | -                       | 2,470,798             | 2,523,587             |
| Other receivables                                                              | 105,014              | -                        | -                       | 105,014               | 94,705                |
| Prepaid expenditures                                                           | 1,141                | -                        | -                       | 1,141                 | 10,105                |
| <b>TOTAL ASSETS</b>                                                            | <u>\$ 25,079,420</u> | <u>\$ 59,520,899</u>     | <u>\$ 28,975,108</u>    | <u>\$ 113,575,427</u> | <u>\$ 123,704,362</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b>       |                      |                          |                         |                       |                       |
| <b>LIABILITIES:</b>                                                            |                      |                          |                         |                       |                       |
| Accounts payable                                                               | \$ 4,061,358         | \$ 8,976,468             | \$ 825,670              | \$ 13,863,496         | \$ 6,226,182          |
| Due to other funds                                                             | 3,036,913            | -                        | -                       | 3,036,913             | 6,220,416             |
| Accrued salaries and benefits                                                  | 7,820,053            | -                        | -                       | 7,820,053             | 7,758,552             |
| Unearned revenues                                                              | -                    | -                        | -                       | -                     | 4,899.00              |
| Accumulated compensated absences                                               | 154,796              | -                        | -                       | 154,796               | -                     |
| <b>TOTAL LIABILITIES</b>                                                       | <u>15,073,120</u>    | <u>8,976,468</u>         | <u>825,670</u>          | <u>24,875,258</u>     | <u>20,210,049</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                          |                      |                          |                         |                       |                       |
| Unavailable revenues - delinquent taxes                                        | 1,121,638            | -                        | -                       | 1,121,638             | 1,176,096             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <u>1,121,638</u>     | <u>-</u>                 | <u>-</u>                | <u>1,121,638</u>      | <u>1,176,096</u>      |
| <b>FUND BALANCES:</b>                                                          |                      |                          |                         |                       |                       |
| Nonspendable                                                                   | 1,141                | -                        | -                       | 1,141                 | 10,105                |
| Restricted - capital projects                                                  | -                    | 50,544,431               | 28,149,438              | 78,693,869            | 92,477,514            |
| Committed                                                                      | 753,858              | -                        | -                       | 753,858               | 2,050,000             |
| Unassigned                                                                     | 8,129,663            | -                        | -                       | 8,129,663             | 7,780,598             |
| <b>TOTAL FUND BALANCES</b>                                                     | <u>8,884,662</u>     | <u>50,544,431</u>        | <u>28,149,438</u>       | <u>87,578,531</u>     | <u>102,318,217</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <u>\$ 25,079,420</u> | <u>\$ 59,520,899</u>     | <u>\$ 28,975,108</u>    | <u>\$ 113,575,427</u> | <u>\$ 123,704,362</u> |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2025**

TOTAL GOVERNMENTAL FUND BALANCES \$ 87,578,531

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

|                                           |                     |             |
|-------------------------------------------|---------------------|-------------|
| Land                                      | \$ 3,060,599        |             |
| Construction-in-progress                  | 58,859,162          |             |
| Buildings and improvements                | 156,673,061         |             |
| Furniture and equipment                   | 8,031,605           |             |
| Right to use lease asset                  | 261,921             |             |
| Right to use subscription asset           | 178,459             |             |
| Accumulated depreciation and amortization | <u>(80,563,837)</u> | 146,500,970 |

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

|                                    |                     |               |
|------------------------------------|---------------------|---------------|
| Bonds payable in future years, net | (113,688,757)       |               |
| Accumulated compensated absences   | (2,828,618)         |               |
| Accrued interest                   | (274,222)           |               |
| Subscription liability             | (114,718)           |               |
| Lease liability                    | (216,973)           |               |
| Net OPEB liability                 | (14,107,500)        |               |
| Net pension liability              | <u>(94,226,221)</u> | (225,457,009) |

The establishment of an allowance for doubtful accounts for property taxes receivable is not recorded in the funds because property taxes receivable are recorded as deferred inflows of resources.

(19,483)

An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

6,921,566

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

1,121,638

Deferred inflows and outflows related to the District's net OPEB liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined total OPEB liability or proportion of the District's amount of the total OPEB liability, and OPEB contributions made after the measurement date of the net OPEB liability. These amounts will be amortized over the estimated remaining average service life of the employees.

|                                 |                    |             |
|---------------------------------|--------------------|-------------|
| Deferred outflows of resources: |                    |             |
| Deferred OPEB                   | 2,396,841          |             |
| Deferred inflows of resources:  |                    |             |
| Deferred OPEB                   | <u>(4,784,997)</u> | (2,388,156) |

Deferred inflows and outflows related to the District's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the District's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

|                                 |                    |            |
|---------------------------------|--------------------|------------|
| Deferred outflows of resources: |                    |            |
| Deferred pension                | 15,341,504         |            |
| Deferred inflows of resources:  |                    |            |
| Deferred pension                | <u>(3,342,589)</u> | 11,998,915 |

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 26,256,972

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**(With Summarized Comparative Data for the Year Ended June 30, 2024)**

|                                                              | General<br>Fund     | Capital<br>Projects Fund | Capital<br>Reserve Fund | Totals               |                       |
|--------------------------------------------------------------|---------------------|--------------------------|-------------------------|----------------------|-----------------------|
|                                                              |                     |                          |                         | 2025                 | 2024                  |
| REVENUES                                                     |                     |                          |                         |                      |                       |
| Local sources                                                | \$80,890,009        | \$ 2,126,939             | \$ 1,195,349            | \$ 84,212,297        | \$ 80,197,726         |
| State sources                                                | 23,898,028          | -                        | -                       | 23,898,028           | 22,084,471            |
| Federal sources                                              | 1,921,738           | -                        | -                       | 1,921,738            | 4,167,887             |
| TOTAL REVENUES                                               | <u>106,709,775</u>  | <u>2,126,939</u>         | <u>1,195,349</u>        | <u>110,032,063</u>   | <u>106,450,084</u>    |
| EXPENDITURES                                                 |                     |                          |                         |                      |                       |
| Current:                                                     |                     |                          |                         |                      |                       |
| Instruction                                                  | 59,594,513          | -                        | -                       | 59,594,513           | 56,242,970            |
| Support services                                             | 34,340,223          | -                        | -                       | 34,340,223           | 32,086,121            |
| Operation of noninstructional services                       | 2,328,806           | 417,438                  | -                       | 2,746,244            | 2,833,122             |
| Capital outlays                                              | 68,293              | 51,970,526               | 4,800,457               | 56,839,276           | 10,860,803            |
| Debt service                                                 | 9,937,817           | -                        | -                       | 9,937,817            | 7,971,317             |
| TOTAL EXPENDITURES                                           | <u>106,269,652</u>  | <u>52,387,964</u>        | <u>4,800,457</u>        | <u>163,458,073</u>   | <u>109,994,333</u>    |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | <u>440,123</u>      | <u>(50,261,025)</u>      | <u>(3,605,108)</u>      | <u>(53,426,010)</u>  | <u>(3,544,249)</u>    |
| OTHER FINANCING SOURCES (USES)                               |                     |                          |                         |                      |                       |
| Issueance of long term debt                                  | -                   | 34,800,000               | -                       | 34,800,000           | 56,620,000            |
| Premium on bond issuance                                     | -                   | 3,496,349                | -                       | 3,496,349            | 4,383,611             |
| Proceeds from lease                                          | -                   | -                        | -                       | -                    | 261,921               |
| Sale of capital assets                                       | 389,975             | -                        | -                       | 389,975              | -                     |
| Interfund transfers                                          | (1,786,139)         | -                        | 1,786,139               | -                    | -                     |
| TOTAL OTHER FINANCING SOURCES (USES)                         | <u>(1,396,164)</u>  | <u>38,296,349</u>        | <u>1,786,139</u>        | <u>38,686,324</u>    | <u>61,265,532</u>     |
| NET CHANGE IN FUND BALANCES                                  | (956,041)           | (11,964,676)             | (1,818,969)             | (14,739,686)         | 57,721,283            |
| FUND BALANCES, BEGINNING OF YEAR                             | <u>9,840,703</u>    | <u>62,509,107</u>        | <u>29,968,407</u>       | <u>102,318,217</u>   | <u>44,596,934</u>     |
| FUND BALANCES, END OF YEAR                                   | <u>\$ 8,884,662</u> | <u>\$50,544,431</u>      | <u>\$28,149,438</u>     | <u>\$ 87,578,531</u> | <u>\$ 102,318,217</u> |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (14,739,686)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense in the statement of activities. This is the effect of these activities:

|                                   |                    |            |
|-----------------------------------|--------------------|------------|
| Capital outlays                   | \$60,324,551       |            |
| Loss on disposal                  | (350,040)          |            |
| Depreciation/amortization expense | <u>(4,540,526)</u> | 55,433,985 |

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are recorded as deferred inflows of resources. Unavailable revenues increased by this amount this year. (54,458)

The issuance of long-term debt (e.g. bonds, leases, subscription based IT arrangements) 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. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences. (27,717,748)

An internal service fund has been established to account for self-insured healthcare costs. The net revenue is reported with governmental activities. 1,074,595

In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (199,321)

Governmental funds report bond premiums and discounts as other financing sources/uses. However, these amounts are reported netted against the outstanding bond liability on the statement of net position and amortized over the life of the debt. This is the amount of net amortization. (3,146,888)

Interest in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (31,265)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the District's estimated future benefit payments and related deferred inflows and deferred outflows, whereas OPEB expenditures are recognized in the governmental funds when a requirement to pay the benefits or to make contributions to the plan exists. 714,549

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 3,498,770

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 14,832,533

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2025**

|                                                                      | Budgeted Amounts    |                     | Actual              | Variance with                          |
|----------------------------------------------------------------------|---------------------|---------------------|---------------------|----------------------------------------|
|                                                                      | Original            | Final               | (GAAP Basis)        | Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>                                                      |                     |                     |                     |                                        |
| Local sources                                                        | \$ 80,361,619       | \$ 78,711,200       | \$ 80,890,009       | \$ 2,178,809                           |
| State sources                                                        | 22,181,127          | 23,417,535          | 23,898,028          | 480,493                                |
| Federal sources                                                      | 1,586,667           | 1,668,667           | 1,921,738           | 253,071                                |
| <b>TOTAL REVENUES</b>                                                | <b>104,129,413</b>  | <b>103,797,402</b>  | <b>106,709,775</b>  | <b>2,912,373</b>                       |
| <b>EXPENDITURES</b>                                                  |                     |                     |                     |                                        |
| Instruction:                                                         |                     |                     |                     |                                        |
| Regular programs                                                     | 40,700,695          | 39,818,718          | 40,102,014          | (283,296)                              |
| Special programs                                                     | 14,092,899          | 15,307,796          | 17,436,927          | (2,129,131)                            |
| Vocational programs                                                  | 1,920,257           | 1,920,257           | 1,840,961           | 79,296                                 |
| Other instructional programs                                         | 279,000             | 279,000             | 213,961             | 65,039                                 |
| Nonpublic school programs                                            | -                   | -                   | 650                 | (650)                                  |
| Total Instruction                                                    | <u>56,992,851</u>   | <u>57,325,771</u>   | <u>59,594,513</u>   | <u>(2,268,742)</u>                     |
| Support Services:                                                    |                     |                     |                     |                                        |
| Pupil services                                                       | 4,503,546           | 4,458,099           | 4,636,254           | (178,155)                              |
| Instructional support                                                | 4,276,442           | 4,239,760           | 4,242,670           | (2,910)                                |
| Administrative support                                               | 6,281,845           | 6,219,653           | 5,973,029           | 246,624                                |
| Pupil health                                                         | 934,972             | 924,272             | 978,919             | (54,647)                               |
| Business support                                                     | 1,330,012           | 1,316,208           | 1,275,924           | 40,284                                 |
| Operation and maintenance of plant services                          | 8,435,066           | 8,377,154           | 7,893,109           | 484,045                                |
| Student transportation                                               | 6,276,840           | 6,273,493           | 5,977,371           | 296,122                                |
| Central support                                                      | 3,678,868           | 3,653,677           | 3,329,989           | 323,688                                |
| Other support services                                               | 35,000              | 35,000              | 32,958              | 2,042                                  |
| Total Support Services                                               | <u>35,752,591</u>   | <u>35,497,316</u>   | <u>34,340,223</u>   | <u>1,157,093</u>                       |
| Operation of noninstructional services                               | <u>2,180,254</u>    | <u>2,160,598</u>    | <u>2,328,806</u>    | <u>(168,208)</u>                       |
| Capital outlay                                                       | <u>225,000</u>      | <u>225,000</u>      | <u>68,293</u>       | <u>156,707</u>                         |
| Debt service                                                         | <u>8,888,717</u>    | <u>8,888,717</u>    | <u>9,937,817</u>    | <u>(1,049,100)</u>                     |
| <b>TOTAL EXPENDITURES</b>                                            | <b>104,039,413</b>  | <b>104,097,402</b>  | <b>106,269,652</b>  | <b>(2,172,250)</b>                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>90,000</b>       | <b>(300,000)</b>    | <b>440,123</b>      | <b>740,123</b>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                     |                     |                                        |
| Budgetary reserve                                                    | (90,000)            | (90,000)            | -                   | 90,000                                 |
| Use of fund balance                                                  | -                   | 390,000             | -                   | 390,000                                |
| Sale of capital assets                                               | -                   | -                   | 389,975             | 389,975                                |
| Transfers out                                                        | -                   | -                   | (1,786,139)         | (1,786,139)                            |
| <b>TOTAL OTHER FINANCING USES</b>                                    | <b>(90,000)</b>     | <b>300,000</b>      | <b>(1,396,164)</b>  | <b>(916,164)</b>                       |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <b>-</b>            | <b>-</b>            | <b>(956,041)</b>    | <b>(956,041)</b>                       |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>                               | <b>9,840,703</b>    | <b>9,840,703</b>    | <b>9,840,703</b>    | <b>-</b>                               |
| <b>FUND BALANCE, END OF YEAR</b>                                     | <b>\$ 9,840,703</b> | <b>\$ 9,840,703</b> | <b>\$ 8,884,662</b> | <b>\$ (956,041)</b>                    |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2025 AND 2024**

|                                                                    | Major Fund          |                     | Internal Service Fund |                     |
|--------------------------------------------------------------------|---------------------|---------------------|-----------------------|---------------------|
|                                                                    | Food Service Fund   |                     |                       |                     |
|                                                                    | 2025                | 2024                | 2025                  | 2024                |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES                          |                     |                     |                       |                     |
| CURRENT ASSETS:                                                    |                     |                     |                       |                     |
| Cash and cash equivalents                                          | \$ 2,065,645        | \$ 1,958,567        | \$ 998,300            | \$ 1,814,407        |
| Investments                                                        | -                   | -                   | 5,455,560             | 4,806,754           |
| Due from other governments                                         | 48,478              | 15,899              | -                     | -                   |
| Due from other funds                                               | -                   | 328                 | 1,250,774             | -                   |
| Other receivables                                                  | -                   | 603                 | -                     | -                   |
| Inventories                                                        | 47,087              | 87,205              | -                     | -                   |
| Total Current Assets                                               | 2,161,210           | 2,062,602           | 7,704,634             | 6,621,161           |
| FURNITURE AND EQUIPMENT:                                           |                     |                     |                       |                     |
| Net furniture and equipment                                        | 144,577             | 168,147             | -                     | -                   |
| TOTAL ASSETS                                                       | 2,305,787           | 2,230,749           | 7,704,634             | 6,621,161           |
| DEFERRED OUTFLOWS OF RESOURCES                                     |                     |                     |                       |                     |
| Deferred outflows relating to OPEB                                 | 22,879              | 34,254              | -                     | -                   |
| Deferred outflows relating to pension                              | 153,761             | 184,376             | -                     | -                   |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                               | 176,640             | 218,630             | -                     | -                   |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES                    | <u>\$ 2,482,427</u> | <u>\$ 2,449,379</u> | <u>\$ 7,704,634</u>   | <u>\$ 6,621,161</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION       |                     |                     |                       |                     |
| LIABILITIES:                                                       |                     |                     |                       |                     |
| Short Term Liabilities                                             |                     |                     |                       |                     |
| Accounts payable                                                   | \$ 35,966           | \$ 66,432           | \$ 783,068            | \$ 774,190          |
| Compensated absences                                               | 9,185               | 7,492               | -                     | -                   |
| Due to other funds                                                 | 1,511               | -                   | -                     | -                   |
| Long Term Liabilities:                                             |                     |                     |                       |                     |
| Portion due or payable after one year:                             |                     |                     |                       |                     |
| Compensated absences                                               | 8,250               | 13,616              | -                     | -                   |
| Net OPEB liability                                                 | 142,500             | 159,330             | -                     | -                   |
| Net pension liability                                              | 951,779             | 1,025,409           | -                     | -                   |
| TOTAL LIABILITIES                                                  | 1,149,191           | 1,272,279           | 783,068               | 774,190             |
| DEFERRED INFLOWS OF RESOURCES:                                     |                     |                     |                       |                     |
| Deferred inflows relating to OPEB                                  | 47,932              | 47,795              | -                     | -                   |
| Deferred inflows relating to pension                               | 44,774              | 26,090              | -                     | -                   |
| TOTAL DEFERRED INFLOWS OF RESOURCES                                | 92,706              | 73,885              | -                     | -                   |
| NET POSITION:                                                      |                     |                     |                       |                     |
| Investment in capital assets                                       | 144,577             | 168,147             | -                     | -                   |
| Unrestricted                                                       | 1,095,953           | 935,068             | 6,921,566             | 5,846,971           |
| TOTAL NET POSITION                                                 | 1,240,530           | 1,103,215           | 6,921,566             | 5,846,971           |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 2,482,427</u> | <u>\$ 2,449,379</u> | <u>\$ 7,704,634</u>   | <u>\$ 6,621,161</u> |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

|                                           | Major Fund          |                     | Internal Service Fund |                     |
|-------------------------------------------|---------------------|---------------------|-----------------------|---------------------|
|                                           | Food Service Fund   |                     |                       |                     |
|                                           | 2025                | 2024                | 2025                  | 2024                |
| OPERATING REVENUES                        |                     |                     |                       |                     |
| Food service revenues                     | \$ 617,118          | \$ 555,102          | \$ -                  | \$ -                |
| Charges for health insurance              | -                   | -                   | 9,159,212             | 7,620,841           |
| TOTAL OPERATING REVENUES                  | <u>617,118</u>      | <u>555,102</u>      | <u>9,159,212</u>      | <u>7,620,841</u>    |
| OPERATING EXPENSES                        |                     |                     |                       |                     |
| Salaries                                  | 177,056             | 190,126             | -                     | -                   |
| Employee benefits                         | 73,381              | 106,587             | -                     | -                   |
| Other purchased services                  | 1,716,836           | 1,638,435           | -                     | -                   |
| Self-insurance claims                     | -                   | -                   | 8,414,832             | 7,177,116           |
| Supplies                                  | 18,007              | 13,154              | -                     | -                   |
| Depreciation                              | 22,320              | 19,436              | -                     | -                   |
| TOTAL OPERATING EXPENSES                  | <u>2,007,600</u>    | <u>1,967,738</u>    | <u>8,414,832</u>      | <u>7,177,116</u>    |
| OPERATING INCOME (LOSS)                   | <u>(1,390,482)</u>  | <u>(1,412,636)</u>  | <u>744,380</u>        | <u>443,725</u>      |
| NONOPERATING REVENUES                     |                     |                     |                       |                     |
| Earnings on investments                   | 93,104              | 95,987              | 330,215               | 296,792             |
| State sources                             | 219,782             | 199,531             | -                     | -                   |
| Federal sources                           | 1,216,161           | 1,353,494           | -                     | -                   |
| TOTAL NONOPERATING REVENUES               | <u>1,529,047</u>    | <u>1,649,012</u>    | <u>330,215</u>        | <u>296,792</u>      |
| CHANGE IN NET POSITION BEFORE TRANSFERS   | 138,565             | 236,376             | 1,074,595             | 740,517             |
| OTHER FINANCING SOURCES                   |                     |                     |                       |                     |
| Gain (Loss) on sale of capital assets     | (1,250)             | (425,844)           | -                     | -                   |
| TOTAL OTHER FINANCING SOURCES             | <u>(1,250)</u>      | <u>(425,844)</u>    | <u>-</u>              | <u>-</u>            |
| CHANGE IN NET POSITION                    | 137,315             | (189,468)           | 1,074,595             | 740,517             |
| NET POSITION, BEGINNING OF YEAR, RESTATED | <u>1,103,215</u>    | <u>1,292,683</u>    | <u>5,846,971</u>      | <u>5,106,454</u>    |
| NET POSITION, END OF YEAR                 | <u>\$ 1,240,530</u> | <u>\$ 1,103,215</u> | <u>\$ 6,921,566</u>   | <u>\$ 5,846,971</u> |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

|                                                                                                       | Major Fund            |                       | Internal Service Fund |                     |
|-------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
|                                                                                                       | Food Service Fund     |                       |                       |                     |
|                                                                                                       | 2025                  | 2024                  | 2025                  | 2024                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                          |                       |                       |                       |                     |
| Cash received from users                                                                              | \$ 613,329            | \$ 540,901            | \$ 7,908,438          | \$ 7,620,841        |
| Payments to suppliers                                                                                 | (1,526,176)           | (1,483,736)           | -                     | -                   |
| Payments to employees                                                                                 | (283,758)             | (321,059)             | -                     | -                   |
| Cash payments for health insurance costs                                                              | -                     | -                     | (8,408,200)           | (7,169,220)         |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                               | <b>(1,196,605)</b>    | <b>(1,263,894)</b>    | <b>(499,762)</b>      | <b>451,621</b>      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                                               |                       |                       |                       |                     |
| State sources                                                                                         | 219,783               | 199,530               | -                     | -                   |
| Federal sources                                                                                       | 990,796               | 1,129,060             | -                     | -                   |
| <b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>                                    | <b>1,210,579</b>      | <b>1,328,590</b>      | <b>-</b>              | <b>-</b>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                          |                       |                       |                       |                     |
| Purchase of investments                                                                               | -                     | -                     | (646,560)             | (741,678)           |
| Earnings on investments                                                                               | 93,104                | 95,987                | 330,215               | 296,792             |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                                               | <b>93,104</b>         | <b>95,987</b>         | <b>(316,345)</b>      | <b>(444,886)</b>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                           | <b>107,078</b>        | <b>160,683</b>        | <b>(816,107)</b>      | <b>6,735</b>        |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                                   | <b>1,958,567</b>      | <b>1,797,884</b>      | <b>1,814,407</b>      | <b>1,807,672</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                                         | <b>\$ 2,065,645</b>   | <b>\$ 1,958,567</b>   | <b>\$ 998,300</b>     | <b>\$ 1,814,407</b> |
| <b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  |                       |                       |                       |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                          |                       |                       |                       |                     |
| Operating (loss) income                                                                               | \$ (1,390,482)        | \$ (1,412,636)        | \$ 744,380            | \$ 443,725          |
| Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities: |                       |                       |                       |                     |
| Depreciation                                                                                          | 22,320                | 19,436                | -                     | -                   |
| Donated commodities                                                                                   | 197,505               | 224,434               | -                     | -                   |
| (Increase) Decrease in:                                                                               |                       |                       |                       |                     |
| Other receivables                                                                                     | (4,117)               | (13,873)              | -                     | -                   |
| Due from other funds                                                                                  | 328                   | (328)                 | (1,250,774)           | -                   |
| Inventories                                                                                           | 40,118                | 24,226                | -                     | -                   |
| Deferred outflows of resources - OPEB                                                                 | 11,375                | 8,123                 | -                     | -                   |
| Deferred outflows of resources - pension                                                              | 30,615                | (44,057)              | -                     | -                   |
| Increase (Decrease) in:                                                                               |                       |                       |                       |                     |
| Accounts payable                                                                                      | (30,466)              | (80,807)              | 8,878                 | 10,142              |
| Due to other funds                                                                                    | 1,511                 | -                     | (2,246)               | (2,246)             |
| Compensated absences                                                                                  | (3,673)               | 457                   | -                     | -                   |
| Net OPEB liability                                                                                    | (16,830)              | (1,420)               | -                     | -                   |
| Net pension liability                                                                                 | (73,630)              | 29,530                | -                     | -                   |
| Deferred inflows of resources - OPEB                                                                  | 137                   | (12,489)              | -                     | -                   |
| Deferred inflows of resources - pension                                                               | 18,684                | (4,490)               | -                     | -                   |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                               | <b>\$ (1,196,605)</b> | <b>\$ (1,263,894)</b> | <b>\$ (499,762)</b>   | <b>\$ 451,621</b>   |
| <b>SUPPLEMENTAL DISCLOSURE</b>                                                                        |                       |                       |                       |                     |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>                                                         |                       |                       |                       |                     |
| USDA donated commodities                                                                              | \$ 197,505            | \$ 224,434            | \$ -                  | \$ -                |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2025 AND 2024**

|                                           | Private Purpose Trust    |                          | Custodial Fund          |                          |
|-------------------------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
|                                           | 2025                     | 2024                     | 2025                    | 2024                     |
| <b>ASSETS</b>                             |                          |                          |                         |                          |
| Cash                                      | <u>\$ 202,745</u>        | <u>\$ 213,455</u>        | <u>\$ 87,237</u>        | <u>\$ 106,113</u>        |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 202,745</u></u> | <u><u>\$ 213,455</u></u> | <u><u>\$ 87,237</u></u> | <u><u>\$ 106,113</u></u> |
| <br><b>LIABILITIES AND NET POSITION</b>   |                          |                          |                         |                          |
| <b>LIABILITIES:</b>                       |                          |                          |                         |                          |
| Other current liabilities                 | <u>\$ -</u>              | <u>\$ -</u>              | <u>\$ -</u>             | <u>\$ -</u>              |
| <br><b>NET POSITION:</b>                  |                          |                          |                         |                          |
| Reserved for trust                        | 202,745                  | 213,455                  |                         |                          |
| Reserved for custodial fund               | <u>-</u>                 | <u>-</u>                 | <u>87,237</u>           | <u>106,113</u>           |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><u>\$ 202,745</u></u> | <u><u>\$ 213,455</u></u> | <u><u>\$ 87,237</u></u> | <u><u>\$ 106,113</u></u> |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

|                                    | Private Purpose Trust |                   | Custodial Fund   |                   |
|------------------------------------|-----------------------|-------------------|------------------|-------------------|
|                                    | 2025                  | 2024              | 2025             | 2024              |
| ADDITIONS                          |                       |                   |                  |                   |
| Local contributions                | \$ 34,000             | \$ 41,900         | \$ 93,140        | \$ 120,494        |
| Earnings on investments            | 5,622                 | 4,923             | 3,151            | 2,267             |
| TOTAL ADDITIONS                    | 39,622                | 46,823            | 96,291           | 122,761           |
| DEDUCTIONS                         |                       |                   |                  |                   |
| Fees paid and scholarships awarded | 50,332                | 68,648            | 115,167          | 96,493            |
| TOTAL DEDUCTIONS                   | 50,332                | 68,648            | 115,167          | 96,493            |
| CHANGE IN NET POSITION             | (10,710)              | (21,825)          | (18,876)         | 26,268            |
| NET POSITION, BEGINNING OF YEAR    | 213,455               | 235,280           | 106,113          | 79,845            |
| NET POSITION, END OF YEAR          | <u>\$ 202,745</u>     | <u>\$ 213,455</u> | <u>\$ 87,237</u> | <u>\$ 106,113</u> |

The accompanying notes are an integral part of these basic financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
***June 30, 2025***

**NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

The Kennett Consolidated School District ("the District") was formed by state law and began operations on July 1, 1932. The District covers a geographical area of 33 square miles in the southeastern part of Chester County, Pennsylvania, and includes the townships of New Garden and Kennett, and the Borough of Kennett Square.

The District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The 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 six and twenty-one years who may attend.

The Superintendent is the chief administrative officer and chief instructional officer of the Board and the District, and is responsible for the execution of all actions of the Board. Subject to the policies and direction of the Board, the Superintendent is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction. The Superintendent manages the District with the assistance of the Assistant Superintendent, Chief Financial Officer, and the Director of Communications.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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.

Use of Estimates

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

Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable and, as such, may or may not be required to include within the District's financial statements. The criteria for including organizations within the

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

District's reporting entity, as set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification), relate to financial accountability. On the basis of these criteria, the District has no other entities that are required to be included in its financial statements, nor is the District includable in the financial statements of any other reporting entity. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon the application of this criteria, the District has determined it does not have any component units for which the District must include in its financial statements.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of each fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses as appropriate. Resources are allocated to and accounted for in the individual funds based on the purposes for which they are to be spent. The three fund types presented are governmental, proprietary, and fiduciary.

**GOVERNMENTAL FUNDS** – These funds are used to account for most of the District's finances. The focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination. The following are the District's major governmental funds.

- **General Fund** – This is the general operating fund of the District. This fund is used to account for all financial resources not accounted for and reported in another fund.
- **Capital Reserve Fund** – This fund is used to account for maintenance and improvement projects under Section 1432 of the Municipal Code.
- **Capital Project Fund** - This fund is used to account for all financial resources restricted, committed, or assigned to expenditures for capital outlays, including capital asset acquisitions, construction, and improvements.

**PROPRIETARY FUNDS** – These funds account for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position, and changes in financial position. (Economic resources measurement focus proprietary funds are classified as Enterprise Funds or Internal Service Funds.)

- **Enterprise Fund** – The enterprise fund is used to account for operations where the intent of the governmental entity is to recover the costs of providing goods and services to the District's student population and staff primarily through user charges. The food service fund is the only enterprise fund operated by the District. This fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases, and costs and expenses for the Food Service Program.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Internal Service Fund** – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is used to account for the operation of the District's self-insurance program for employee medical, prescription drug, and dental claims on a cost reimbursement basis.

**FIDUCIARY FUNDS** – These funds are used to account for assets held by the District as trustee or agent. The District excludes these activities from the government-wide financial statements because it cannot use those assets to finance its operations.

- **Private Purpose Trust Funds** – Trust funds are used to account for assets held by the District in a trustee capacity. This fund accounts for various scholarship programs for students.
- **Custodial Fund** – This fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist with explicit approval and are subject to revocation of the District governing body. This accounting reflects the District's custodial relationship with the student activity organizations.

Basis of Presentation

**Government-wide financial statements** (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** are also provided in the report for all of the governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual enterprise and internal service funds are reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The principal operating revenues of the District's internal service fund are charges to the general fund and food service fund for self-insured employee medical, prescription drug, and dental cost reimbursements. Operating expenses for the District's internal service fund include charges for medical, prescription drug, and dental claims paid to insurance providers. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. 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 revenues 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. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. 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, pension liabilities, and claims and judgments, are recorded only when payment is due.

Budgetary Information

An operating budget is adopted each year for the general fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures, including a timeline of events, relative to adoption of the District's budget and reporting of its financial statements, specifically:

- The District, before levying annual school taxes, is required to adopt an operating budget by June 30 for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, twenty days prior to final budget adoption, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District. Notice that public hearings will be held on the proposed

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the District Board of Directors.

- The District Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the District Board of Directors, which authorize the District to make expenditures. Appropriations lapse at the end of the fiscal period.
- The general fund budget includes program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency.
- Capital budgets are not implemented for capital improvements and capital projects in the capital projects fund. An adopted budget is not presently required due to the fund's recent inception and the limited amount of transactions. Additionally, all transactions of the capital projects fund are approved by the District Board of Directors prior to commitment, thereby constructively achieving budgetary control.
- Proprietary fund budgets are not adopted; however, formal budgets are prepared and approved by management; and expenditures are controlled on the basis of these budgets.
- Trust funds are not formally budgeted; however, each individual expenditure/expense request is reviewed for compliance with trust provisions and for availability of funding.
- There were no supplemental budgetary appropriations or amendments proposed or approved during the year.

Receivables/Payables

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

Cash and Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, certificates of deposit, and liquid asset funds.

Cash equivalents in the basic financial statements include all highly liquid investments with an original maturity of three months or less.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The District's investments are reported at amortized cost, which approximates fair value.

Inventories

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 consistent policy of the District to charge these items to expense upon acquisition.

Inventories of the food service 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 acquisition value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2025 consist of the purchased food/supplies for use in the food program in the amount of \$47,087.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$10,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                   | <u>Years</u>                   |
|---------------------------------|--------------------------------|
| School buildings                | 50                             |
| Building improvements           | 20                             |
| Land improvements               | 25                             |
| Furniture                       | 15                             |
| Vehicles                        | 10                             |
| Equipment                       | 5 - 15                         |
| Right to use lease asset        | Life of lease agreement        |
| Right to use subscription asset | Life of subscription agreement |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Compensated Absences

The District accounts for compensated absences in accordance with the GASB Codification, which requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid.

The District allows employees to accumulate vacation days and sick leave subject to limits which are paid prior to retirement or termination. At the end of the fiscal year, the amount expected to be paid for compensated absences from current resources is accrued in the general fund and food service fund.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortization is calculated using the straight-line method.

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense) until that time. The District currently has three items that qualify for reporting in this category. Certain changes to the net pension liability, including pension contributions made subsequent to the measurement date and, therefore, not reflected in the net pension liability under full accrual basis reporting, are required to be amortized over a period of years. Additionally, certain changes to the net OPEB liability, including OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net OPEB liability under full accrual basis reporting, are required to be amortized over a period of years. The unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The District has one type of item that qualifies for reporting in this category. Delinquent taxes not collected within 60 days of year end and, therefore, are not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet.

KENNETT CONSOLIDATED SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Balances

The District complies with the GASB Codification, which provides clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (the District Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.
- **Unassigned fund balance** – amounts available for any purpose. Positive amounts are reported only in the general fund. Negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The District Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the District Board of Directors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

The District will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

In the general fund, the District strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately eight percent of the actual GAAP basis expenditures and other financing sources and uses.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Presentation of

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which the summarized information was derived. Certain amounts presented in the prior year summarized data have been restated consistent with implementation of new standards, as described below.

Implementation of GASB Statement

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. As described in Note 17 the District has restated opening balances as a result of the implementation.

**NOTE 3 – CASH AND CASH EQUIVALENTS 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 of Pennsylvania, 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.
- Commercial paper, bankers' acceptances, and negotiable certificates of deposit receiving top ratings from at least two nationally recognized statistical ratings organizations.

The deposit and investment policy of the District adheres to state statutes. The administration is not aware of any deposits or investment transactions during the year that were in violation of either state statutes or the policy of the District.

The breakdown of total cash and investments at June 30, 2025 is as follows:

|                            |                       |
|----------------------------|-----------------------|
| Cash and cash equivalents  | \$ 14,708,496         |
| Investments                | <u>101,948,979</u>    |
| Total Cash and Investments | <u>\$ 116,657,475</u> |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued**

Deposits

At year end, the carrying amount of the District's deposits was \$14,708,496, and the bank balance was \$16,348,999. Of the bank balance of \$250,000 was covered by federal depository insurance and \$7,941,933 was collateralized under Pennsylvania Act 72, where financial institutions pledge collateral on a pooled basis to secure public deposits in excess of the FDIC insurance limits. The remaining \$8,157,066 was cash equivalents held with the Pennsylvania School District Liquid Asset Fund (PSDLAF), which enables governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

Investments

In general, all of the District's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the government's name.

As of June 30, 2025, the District had the following investments:

|                                                          | <u>Fair Value</u>    |
|----------------------------------------------------------|----------------------|
| Pennsylvania School District Liquid Asset Trust (PSDLAF) | <u>\$101,948,979</u> |
| Total Investments                                        | <u>\$101,948,979</u> |

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent audit. The District currently has no investments which are categorized within the fair value hierarchy established by generally accepted accounting principles.

Of the investments, \$20,056,800 is invested in FDIC-insured non-negotiable certificates of deposit with maturities of less than one year. Additionally, the School has \$12,000,000 invested in treasury notes from the United States government. The remaining \$69,892,179 is invested in 2a7-like pools. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees. PSDLAF is administered by PMA Financial Network, Inc., and the pool is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm.

Interest Rate Risk

The District does have a formal investment policy that limits maturities to 13 months or less in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued**

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2025, the District's investments were rated as:

| <u>Investment</u>                                       | <u>Standard<br/>&amp; Poor's</u> |
|---------------------------------------------------------|----------------------------------|
| Pennsylvania School District Liquid Asset Fund (PSDLAF) | AAAm                             |

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2025, all of the District's investments are in PSDLAF.

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.

**NOTE 4 – REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE**

Real estate taxes for the District are collected by the District. The assessed values are established by the County Board of Assessment. The District tax rate for the year ended June 30, 2025 was 32.73 mills (\$32.73 per \$1,000 of assessed valuation) as levied by the District 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 - December 15 | - | 10% penalty period  |
| December 15              | - | Lien date           |

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.

The allowance as of June 30, 2025 was \$19,483. 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 deferred in the fund financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 4 – REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE – continued**

The deferred inflow of resources balance in the general fund of \$1,121,638 consists of unavailable real estate taxes.

**NOTE 5 – INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2025 is as follows:

| Due To                | Amount       | Due From          | Amount       |
|-----------------------|--------------|-------------------|--------------|
| Capital Reserve Fund  | \$ 1,786,139 | General Fund      | \$ 1,786,139 |
| Internal Service Fund | \$ 1,250,774 | General Fund      | \$ 1,250,774 |
| General Fund          | \$ 1,511     | Food Service Fund | \$ 1,511     |
|                       |              |                   |              |
| Transfer To           | Amount       | Transfer From     | Amount       |
| Capital Reserve Fund  | \$ 1,786,139 | General Fund      | \$ 1,786,139 |

Interfund balances between funds represent transfers of funds which are carried out at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end. Transfers represent funds set aside for the anticipation of future capital needs.

**NOTE 6 – UNEARNED REVENUES**

The District records unearned revenue for resources that have been received but not yet earned. At the end of the current fiscal year, the District had no unearned revenues.

**NOTE 7 – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025 was as follows:

| Governmental Activities                                 | Beginning<br>Balance | Increase   | Decrease | Ending<br>Balance |
|---------------------------------------------------------|----------------------|------------|----------|-------------------|
| Capital assets not being depreciated:                   |                      |            |          |                   |
| Land                                                    | \$ 3,060,599         | \$ -       | \$ -     | \$ 3,060,599      |
| Construction-in-progress                                | 2,500,068            | 56,359,094 | -        | 58,859,162        |
| Total Capital Assets Not Being<br>Depreciated/Amortized | 5,560,667            | 56,359,094 | -        | 61,919,761        |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 7 – CHANGES IN CAPITAL ASSETS - continued**

|                                                           | Beginning<br>Balance | Increase             | Decrease            | Ending<br>Balance    |
|-----------------------------------------------------------|----------------------|----------------------|---------------------|----------------------|
| <b>Governmental Activities</b>                            |                      |                      |                     |                      |
| Capital assets being depreciated/<br>amortized:           |                      |                      |                     |                      |
| Buildings and improvements                                | 153,750,597          | 3,555,433            | (632,969)           | 156,673,061          |
| Right to use lease asset                                  | 496,162              | -                    | (234,241)           | 261,921              |
| Right to use subscription asset                           | 178,459              | -                    | -                   | 178,459              |
| Furniture, vehicles, and equipment                        | 7,621,581            | 410,024              | -                   | 8,031,605            |
| Total Capital Assets Being<br>Depreciated/Amortized       | 162,046,799          | 3,965,457            | (867,210)           | 165,145,046          |
| Less accumulated depreciation/<br>amortization for:       |                      |                      |                     |                      |
| Buildings and improvements                                | 70,386,127           | 4,107,772            | -                   | 74,493,899           |
| Right to use lease asset                                  | 238,398              | 62,717               | (234,241)           | 66,874               |
| Right to use subscription asset                           | 61,611               | 25,494               | -                   | 87,105               |
| Furniture, vehicles, and equipment                        | 5,854,345            | 344,543              | (282,929)           | 5,915,959            |
| Total Accumulated Depreciation/<br>Amortization           | 76,540,481           | 4,540,526            | (517,170)           | 80,563,837           |
| Total Capital Assets Being Depreciated/<br>Amortized, Net | 85,506,318           | (575,069)            | (350,040)           | 84,581,209           |
| Governmental Activities Assets, Net                       | <u>\$ 91,066,985</u> | <u>\$ 55,784,025</u> | <u>\$ (350,040)</u> | <u>\$146,500,970</u> |
| <b>Business-type Activities</b>                           |                      |                      |                     |                      |
| Capital assets not being depreciated:                     |                      |                      |                     |                      |
| Equipment                                                 | \$ 812,302           | \$ -                 | \$ (9,000)          | \$ 803,302           |
| Less accumulated depreciation for:<br>Equipment           | 644,155              | 22,320               | (7,750)             | 658,726              |
| Business-type Activities Capital<br>Assets, Net           | <u>\$ 168,147</u>    | <u>\$ 20,164</u>     | <u>\$ (1,250)</u>   | <u>\$ 144,577</u>    |

Depreciation/amortization expense was charged to functions/program of primary government as follows:

**Governmental Activities:**

|                                                                   |                     |
|-------------------------------------------------------------------|---------------------|
| Instruction                                                       | \$ 1,816,217        |
| Administrative and financial support                              | 475,334             |
| Operation and maintenance of plant services                       | 886,819             |
| Unallocated depreciation/amortization                             | <u>1,362,156</u>    |
| Total Depreciation/Amortization Expense - Governmental Activities | <u>\$ 4,540,526</u> |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 7 – CHANGES IN CAPITAL ASSETS - continued**

Depreciation expense was charged to the functions of the business-type activities as follows:

|                                                       |                  |
|-------------------------------------------------------|------------------|
| <b>Business-type Activities:</b>                      |                  |
| Food Service                                          | \$ 22,320        |
| Total Depreciation Expense - Business-type Activities | <u>\$ 22,320</u> |

**NOTE 8 – LONG-TERM LIABILITIES**

Long-term liabilities, except for compensated absences, net pension liability, and net other postemployment benefits liability:

**General Obligation Bonds - Series of 2018 and 2018A**

On May 31, 2018 the District issued \$11,425,000 of General Obligation Bonds, Series of 2018 and 2018A, maturing through October 1, 2024, and bearing interest ranging from 2.00% to 5.00%. Interest is payable semi-annually on April 1 and October 1. The Series of 2018 provided funds to refund the Series of 2006 and 2011 bonds. The refunding resulted in a cash flow savings of \$520,151, and the present value savings of \$427,694.

\$ 1,185,000

**General Obligation Bonds - Series of 2020**

On November 25, 2020 the district issued \$10,000,000 of General Obligation Bonds, Series of 2020, maturing though November 15, 2025, and bearing interest 1.04%. Interest is payable semi-annually on May 15 and November 15. The series of 2020 provided funds to refund the Series of 2015 and 2016 bonds. The refunding resulted in a cash flow savings of \$275,737 and present-value savings of \$261,835.

3,646,000

**General Obligation Bonds - Series of 2022**

On November 15, 2022 the district issued \$9,995,000 of General Obligation Bonds, Series of 2022, maturing through February 15, 2053, bearing interest ranging from 3.25% to 4.5%. Interest is payable semi-annually on February 15 and August 15. The Series of 2022 provided funds for upcoming capital projects.

9,985,000

**General Obligation Bonds - Series of 2023**

On September 19, 2023 the district issued \$9,995,000 of General Obligation Bonds, Series of 2023, maturing through February 15, 2045, bears interest ranging from 3.375% to 5.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2023 provided funds for upcoming capital projects.

9,990,000

**General Obligation Bonds - Series of 2024**

On May 8, 2024 the district issued \$46,625,000 of General Obligation Bonds, Series of 2024, maturing through February 15, 2051, bears interest 5.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2024 provided funds for upcoming capital project

46,625,000

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 8 – LONG-TERM LIABILITIES - continued**

**General Obligation Bonds - Series of 2025**

In April 2025 the District issued \$34,800,000 of General Obligation Bonds, Series of 2025, maturing through February 15, 2045, bears interest 5.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2025 provided funds for upcoming capital project

|                     |                       |
|---------------------|-----------------------|
|                     | 34,800,000            |
| Total Bonds Payable | <u>\$ 106,231,000</u> |

Annual debt service requirements to maturity for general obligation bonds, including interest, are as follows:

| Year Ending June 30, | Principal<br>Maturities | Interest<br>Maturities | Total<br>Maturities   |
|----------------------|-------------------------|------------------------|-----------------------|
| 2026                 | \$ 4,236,000            | \$ 4,774,492           | \$ 9,010,492          |
| 2027                 | 2,660,000               | 4,987,419              | 7,647,419             |
| 2028                 | 2,765,000               | 4,875,606              | 7,640,606             |
| 2029                 | 2,900,000               | 4,739,656              | 7,639,656             |
| 2030                 | 3,025,000               | 4,617,906              | 7,642,906             |
| 2031-2035            | 17,500,000              | 20,706,580             | 38,206,580            |
| 2036-2040            | 22,255,000              | 15,951,855             | 38,206,855            |
| 2041-2045            | 28,325,000              | 9,880,050              | 38,205,050            |
| 2046-2050            | 18,165,000              | 3,837,119              | 22,002,119            |
| 2051-2053            | 4,400,000               | 252,275                | 4,652,275             |
|                      | <u>\$ 106,231,000</u>   | <u>\$ 74,622,958</u>   | <u>\$ 180,853,958</u> |

Changes in Long-term Liabilities

Long-term liability balance and activity for the year ended June 30, 2025 was as follows:

|                                          | Balance<br>July 1, 2024 | Additions            | Reductions          | Balance<br>June 30, 2025 | Due Within<br>One Year |
|------------------------------------------|-------------------------|----------------------|---------------------|--------------------------|------------------------|
| <b>Governmental Activities</b>           |                         |                      |                     |                          |                        |
| Bonds payable                            | \$ 78,451,000           | \$ 34,800,000        | \$ 7,020,000        | \$ 106,231,000           | \$ 4,236,000           |
| Bond premiums                            | 4,498,344               | 3,496,349            | 356,156             | 7,638,537                | 441,933                |
| Bond discount                            | (187,475)               | -                    | (6,695)             | (180,780)                | (6,695)                |
| Net bonds payable                        | 82,761,869              | 38,296,349           | 7,369,461           | 113,688,757              | 4,671,238              |
| Other liabilities:                       |                         |                      |                     |                          |                        |
| Lease payable                            | 258,608                 | -                    | 41,635              | 216,973                  | 45,315                 |
| Subscription payable                     | 135,335                 | -                    | 20,617              | 114,718                  | 23,833                 |
| Compensated absences                     | 2,629,297               | 199,321              | -                   | 2,828,618                | 2,036,711              |
| Net pension liability                    | 101,515,591             | -                    | 7,289,370           | 94,226,221               | -                      |
| Net OPEB liability                       | 15,773,670              | -                    | 1,666,170           | 14,107,500               | 693,000                |
| Total Governmental Long-term Liabilities | <u>\$ 203,074,370</u>   | <u>\$ 38,495,670</u> | <u>\$16,074,253</u> | <u>\$ 225,182,787</u>    | <u>\$ 7,470,097</u>    |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 8 – LONG-TERM LIABILITIES – continued**

|                                           | Balance<br>July 1, 2024 | Additions   | Reductions       | Balance<br>June 30, 2025 | Due Within<br>One Year |
|-------------------------------------------|-------------------------|-------------|------------------|--------------------------|------------------------|
| <b>Business-type Activities</b>           |                         |             |                  |                          |                        |
| Compensated absences                      | \$ 21,108               | \$ -        | \$ 3,673         | \$ 17,435                | \$ 9,185               |
| Net pension liability                     | 1,025,409               | -           | 73,630           | 951,779                  | -                      |
| Net OPEB liability                        | 159,330                 | -           | 16,830           | 142,500                  | -                      |
| Total Business-type Long-term Liabilities | <u>\$ 1,205,847</u>     | <u>\$ -</u> | <u>\$ 94,133</u> | <u>\$ 1,111,714</u>      | <u>\$ 9,185</u>        |

Governmental activities long-term liabilities are liquidated by the general fund, and business-type activities long-term liabilities are liquidated by the food service fund. Total interest expense during the year ended June 30, 2025 was \$2,516,618.

**Legal Debt Margin**

The District is subject to debt limitation that is 225% of borrowing base (the average total revenues for three years). At June 30, 2025 that amount is \$255,799,703. As of June 30, 2025 the total outstanding debt applicable to the limit is \$113,668,757.

**Leasing Arrangements**

The District leases its copier equipment under a number of lease arrangements with expiration dates through August 2029.

At June 30, 2025, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-----------------------------|-------------------|------------------|-------------------|
| 2026                        | \$ 45,315         | \$ 16,704        | \$ 62,019         |
| 2027                        | 49,321            | 12,698           | 62,019            |
| 2028                        | 53,681            | 8,338            | 62,019            |
| 2029                        | 58,427            | 3,592            | 62,019            |
| 2030                        | 10,229            | 108              | 10,337            |
| Total                       | <u>\$ 216,973</u> | <u>\$ 41,440</u> | <u>\$ 258,413</u> |

**Subscription Based IT Arrangements**

The District subscribes to their accounting software under a subscription arrangement that expires in June of 2029.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 8 – LONG-TERM LIABILITIES – continued**

At June 30, 2025, the minimum future rental payments under the subscription arrangement for the remaining period and in the aggregate are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>      |
|-----------------------------|-------------------|-----------------|-------------------|
| 2026                        | \$ 23,833         | \$ 311          | \$ 24,144         |
| 2027                        | 27,058            | 246             | 27,304            |
| 2028                        | 30,292            | 173             | 30,465            |
| 2029                        | 33,535            | 90              | 33,625            |
| Total                       | <u>\$ 114,718</u> | <u>\$ 820</u>   | <u>\$ 115,538</u> |

**NOTE 9 – EMPLOYEE RETIREMENT PLAN**

Plan Description

The District contributes to the Public School Employees' Retirement System (PSERS), 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 District year, and part-time per diem public school employees who render at least 80 days of service in the District year in any of the reporting entities in Pennsylvania. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. PSERS issues a publicly available annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by visiting the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

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

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued**

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 between 1% to 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 five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final 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.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Membership Class T-D, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Membership Class T-F, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2025, the rate of the employer contribution was 33.90 percent of covered payroll,

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued**

which was comprised of 32.92 percent for pension contributions, 0.35 percent for Act 5 defined contribution plan contributions, and 0.63 percent for healthcare contributions. The District's contribution to PSERS for pension contributions for the year ended June 30, 2025 was \$12,481,265.

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

At June 30, 2025, the District reported a liability of \$95,178,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was 0.2274 percent, a decrease of 0.0030 percent from June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$9,210,368. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

|                                                                                          | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Net difference between projected and actual investment earnings                          | \$ 1,576,000                         | \$ -                                |
| Difference between expected and actual experience                                        | -                                    | 1,496,000                           |
| Change in assumptions                                                                    | -                                    | -                                   |
| Change in proportionate share of net pension liability                                   | 1,438,000                            | 1,061,000                           |
| Difference between employer contributions and proportionate share of total contributions | -                                    | 830,363                             |
| Contributions subsequent to the date of measurement                                      | 12,481,265                           | -                                   |
|                                                                                          | <u>\$ 15,495,265</u>                 | <u>\$ 3,387,363</u>                 |

An amount of \$12,481,265 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources relating to pensions and will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> |                     |
|-----------------------------|---------------------|
| 2025                        | \$ (2,478,473)      |
| 2026                        | 2,616,892           |
| 2027                        | (195,634)           |
| 2028                        | (316,148)           |
|                             | <u>\$ (373,363)</u> |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued**

Actuarial Assumptions

The total pension liability as of June 30, 2024 was determined by rolling forward the system's total pension liability as of the June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2023
- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.00 percent, includes inflation of 2.50 percent
- Salary growth – effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 percent for real wage growth and for merit and seniority increases
- Mortality rates were based on a blend of 50 percent PubT-2010 and 50 percent PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and as of June 30, 2023
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate – decreased from 5.00 percent to 4.50 percent
  - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75 percent and 2.25 percent to 2.50 percent and 2.00 percent, respectively.
  - Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50 percent PubT-2010 and 50 percent 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 long-term expected rate of return on pension plan investments was determined using the 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 pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued**

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------|-------------------------------------------------------|
| Global public equity | 30.0%                        | 4.8%                                                  |
| Private equity       | 12.0%                        | 6.7%                                                  |
| Fixed income         | 33.5%                        | 3.9%                                                  |
| Commodities          | 5.0%                         | 2.5%                                                  |
| Infrastructure/MLPs  | 10.0%                        | 6.4%                                                  |
| Real estate          | 9.5%                         | 5.9%                                                  |
|                      | <u>100.0%</u>                |                                                       |

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

The discount used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are 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 percent, 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 percent) or one percentage point higher (8.00 percent) than the current rate.

|                                                                | <u>1%<br/>Decrease<br/>6.00%</u> | <u>Current<br/>Discount Rate<br/>7.00%</u> | <u>1%<br/>Increase<br/>8.00%</u> |
|----------------------------------------------------------------|----------------------------------|--------------------------------------------|----------------------------------|
| District's proportionate share of<br>the net pension liability | \$125,379,000                    | \$ 95,178,000                              | \$ 69,676,000                    |

Pension Plan Fiduciary Net Position

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN**

Plan Description

The District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's 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. Under the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2025, the District paid \$713,000 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2025. The total OPEB liability as of June 30, 2025 was determined by rolling forward the plan's total OPEB liability as of the July 1, 2024 actuarial valuation to the June 30, 2025 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 5.20 percent for the measurement date of June 30, 2024, an increase from the discount rate of 3.93 percent used for the June 30, 2023 measurement date.

Health Cost Trend

Healthcare costs and premium rates are assumed to increase as shown in the following table (selected years shown):

| <u>Fiscal Year Ending June 30</u> | <u>Increase in<br/>Health Cost<br/>Over Prior Year</u> |
|-----------------------------------|--------------------------------------------------------|
| 2026                              | 6.90%                                                  |
| 2027                              | 6.40%                                                  |
| 2028                              | 5.50%                                                  |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued**

| <u>Fiscal Year Ending June 30</u> | <u>Increase in<br/>Health Cost<br/>Over Prior Year</u> |
|-----------------------------------|--------------------------------------------------------|
| 2029                              | 5.00%                                                  |
| 2030                              | 4.90%                                                  |
| 2035                              | 4.20%                                                  |
| 2040                              | 4.10%                                                  |
| 2045                              | 4.10%                                                  |
| 2055                              | 4.10%                                                  |
| 2075 and later                    | 3.70%                                                  |

The Society of Actuaries (SOA) Long-Run Medical Cost Trend Model was used to develop the medical trend schedule used in projecting per capita claim costs and premiums for this report. The model's projections are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group and have been modified slightly to reflect the District's actuary's expectations for long-term inflation. In addition, the estimated impact of the excise tax due to healthcare reform is incorporated through an adjustment to the healthcare trend assumption.

Dental and vision costs are assumed to equal premium rates.

Census Data

As of July 1, 2024, the plan consisted of 451 active participants and 35 retired participants receiving benefits.

Mortality Rates

PubT-H2010 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2021 from 2010 base year and projected forward on a generational basis with Scale MP-2021 (based on recommendation of Society of Actuaries' Retirement Plans Experience Committee). As a generational table, it reflects mortality improvements both before and after the measurement date.

Medicare Participation

It is assumed that current active administrators who were hired before January 1, 2000 will participate in Medicare upon retirement. Current retired administrators who were hired before January 1, 2000 were valued based on individual data regarding Medicare participation.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 5.20 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued**

|                        | 1%<br>Decrease<br>4.20% | Current<br>Discount Rate<br>5.20% | 1%<br>Increase<br>6.20% |
|------------------------|-------------------------|-----------------------------------|-------------------------|
| Total OPEB liability   | \$ 11,027,000           | \$ 10,212,000                     | \$ 9,471,000            |
| Fiduciary net position | -                       | -                                 | -                       |
| Net OPEB liability     | <u>\$ 11,027,000</u>    | <u>\$ 10,212,000</u>              | <u>\$ 9,471,000</u>     |

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

|                        | 1%<br>Decrease      | Current<br>Trend Rate | 1%<br>Increase       |
|------------------------|---------------------|-----------------------|----------------------|
| Total OPEB liability   | \$ 9,390,000        | \$ 10,212,000         | \$ 11,163,000        |
| Fiduciary net position | -                   | -                     | -                    |
| Net OPEB liability     | <u>\$ 9,390,000</u> | <u>\$ 10,212,000</u>  | <u>\$ 11,163,000</u> |

Changes in Total OPEB Liability

|                                          |                      |
|------------------------------------------|----------------------|
| Total OPEB liability as of June 30, 2024 | \$ 11,765,000        |
| Service cost                             | 360,000              |
| Interest on OPEB designation             | 448,000              |
| Effect of liability gains or losses      | (67,000)             |
| Effect of assumption changes or inputs   | (1,581,000)          |
| Benefit payments                         | <u>(713,000)</u>     |
| Total OPEB liability as of June 30, 2025 | <u>\$ 10,212,000</u> |

The amount of OPEB expense for the single employer plan recognized by the District was \$37,000 for the year ended June 30, 2025. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

|                                                   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------------------------------------|--------------------------------------|-------------------------------------|
| Change in assumptions                             | \$ 690,000                           | \$ 3,829,000                        |
| Difference between actual and expected experience | <u>1,171,000</u>                     | <u>243,000</u>                      |
|                                                   | <u>\$ 1,861,000</u>                  | <u>\$ 4,072,000</u>                 |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued**

Deferred inflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> |                       |
|-----------------------------|-----------------------|
| 2026                        | \$ (719,000)          |
| 2027                        | 173,000               |
| 2028                        | (7,000)               |
| 2029                        | (471,000)             |
| 2030                        | (281,000)             |
| Thereafter                  | <u>(906,000)</u>      |
|                             | <u>\$ (2,211,000)</u> |

**NOTE 11 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN**

Health Insurance Premium Assistance Program

PSERS provides premium assistance, which is a governmental cost-sharing, multiple-employer other postemployment benefits 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 24½ or more years of service, or
- Are a disability retiree, and
- 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 24½ 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.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 11 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued**

OPEB Plan Description

The District contributes to the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit OPEB plan that provides postemployment benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the PSERS plan include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the District year, and part-time per diem public school employees who render at least 80 days of service in the District year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

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. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2024 was 0.63 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$212,786 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$4,038,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. 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 0.2273 percent, which was a decrease of .0031 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2025, the District recognized OPEB expense of \$156,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 11 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued**

|                                                                                          | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Net difference between projected and actual investment earnings                          | \$ 4,000                             | \$ -                                |
| Change in proportionate share of net pension liability                                   | 246,000                              | 617,000                             |
| Difference between expected and actual experience                                        | 15,000                               | 61,000                              |
| Change in assumptions                                                                    | 98,000                               | 75,000                              |
| Difference between employer contributions and proportionate share of total contributions | -                                    | 11,916                              |
| Contributions subsequent to the date of measurement                                      | 212,786                              | -                                   |
|                                                                                          | <u>\$ 575,786</u>                    | <u>\$ 764,916</u>                   |

An amount of \$212,786 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources relating to pensions and will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> |                     |
|-----------------------------|---------------------|
| 2026                        | \$ (106,455)        |
| 2027                        | (124,666)           |
| 2028                        | (141,193)           |
| 2029                        | (18,090)            |
| 2030                        | (9,978)             |
| Thereafter                  | <u>(1,534)</u>      |
|                             | <u>\$ (401,916)</u> |

Actuarial Assumptions

The total OPEB liability as of June 30, 2024, was determined by rolling forward the system's total OPEB liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level percent of pay
- Investment return – 4.21 percent – S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 11 – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued**

- 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 percent.
  - Eligible retirees will elect to participate post-age 65 at 70 percent.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date
- Asset valuation method – market value
- Participation rate – 63 percent of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------|--------------------------|-----------------------------------------------|
| Cash               | <u>100.0%</u>            | 1.7%                                          |
|                    | <u>100.0%</u>            |                                               |

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 11 – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued**

Discount Rate

The discount rate used to measure the total OPEB liability was 4.21 percent, an increase from 4.13 percent in the prior year. 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 4.21 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System’s Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2024, 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, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 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 system’s net OPEB liability for June 30, 2024, calculated using current healthcare cost trends as well as what the system’s net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

|                                                          | <u>1%<br/>Decrease</u> | <u>Current<br/>Trend Rate</u> | <u>1%<br/>Increase</u> |
|----------------------------------------------------------|------------------------|-------------------------------|------------------------|
| District’s proportionate share of the net OPEB liability | \$ 4,038,000           | \$ 4,038,000                  | \$ 4,038,000           |

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

The following presents the net OPEB liability, calculated using the discount rate of 4.21 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.21 percent) or one percentage point higher (5.21 percent) than the current rate:

|                                                          | <u>1%<br/>Decrease<br/>3.21%</u> | <u>Current<br/>Discount Rate<br/>4.21%</u> | <u>1%<br/>Increase<br/>5.21%</u> |
|----------------------------------------------------------|----------------------------------|--------------------------------------------|----------------------------------|
| District’s proportionate share of the net OPEB liability | \$ 4,562,000                     | \$ 4,038,000                               | \$ 3,599,000                     |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 11 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued**

OPEB Plan Fiduciary Net Position

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

**NOTE 12 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

|                             | <u>Net OPEB<br/>Liability</u> | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|-----------------------------|-------------------------------|-----------------------------------------------|----------------------------------------------|
| District Plan (See Note 10) | \$ 10,212,000                 | \$ 1,861,000                                  | \$ 4,072,000                                 |
| PSERS Plan (See Note 11)    | <u>4,038,000</u>              | <u>558,720</u>                                | <u>760,929</u>                               |
| Total                       | <u>\$ 14,250,000</u>          | <u>\$ 2,419,720</u>                           | <u>\$ 4,832,929</u>                          |

**NOTE 13 – FUND BALANCES**

As of June 30, 2025, fund balances are composed of the following:

|                                     | <u>General<br/>Fund</u> | <u>Capital<br/>Reserve<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------|-------------------------|-------------------------------------|--------------------------------------|-----------------------------------------|
| Restricted:                         |                         |                                     |                                      |                                         |
| Capital projects                    | \$ -                    | \$ 50,544,431                       | \$ 28,149,438                        | \$ 78,693,869                           |
| Nonspendable (prepaid expenditures) | 1,141                   | -                                   | -                                    | 1,141                                   |
| Committed for future expenditures   | 753,858                 | -                                   | -                                    | 753,858                                 |
| Unassigned                          | <u>8,129,663</u>        | <u>-</u>                            | <u>-</u>                             | <u>8,129,663</u>                        |
| Total Fund Balances                 | <u>\$ 8,884,662</u>     | <u>\$ 50,544,431</u>                | <u>\$ 28,149,438</u>                 | <u>\$ 87,578,531</u>                    |

**NOTE 14 – CONTINGENCIES AND COMMITMENTS**

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 14 – CONTINGENCIES AND COMMITMENTS - continued**

any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Construction-in-progress

As of June 30, 2025, the District had ongoing construction projects yet to be completed. The commitments and amounts completed to date are as follows:

|                          | <u>Project<br/>Amount</u> | <u>Completed<br/>as of<br/>06/30/2025</u> | <u>Commitments</u>   |
|--------------------------|---------------------------|-------------------------------------------|----------------------|
| Greenwood Elementary     | \$ 47,692,884             | \$ 13,884,322                             | \$ 33,808,562        |
| Kennett High School Roof | 4,194,947                 | 3,973,960                                 | 200,987              |
| New Garden Elementary    | 49,159,604                | 32,202,976                                | 16,956,628           |
| Totals                   | <u>\$101,047,435</u>      | <u>\$ 50,061,258</u>                      | <u>\$ 50,966,177</u> |

The District also incurred \$8,797,904 of construction related expenses not under a formal contract.

**NOTE 15 – 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. For insured programs, there were no significant reductions in insurance coverages during the 2024 - 2025 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation (SDIC)

The District is a member of the School Districts Insurance Consortium (SDIC) for workers' compensation coverage. SDIC is comprised of 79 member school districts which jointly self-assume their workers' compensation liabilities. Even though member school districts contribute to SDIC's insurance fund, they remain individually liable for their own workers' compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. As of June 30, 2025, there was no unfunded liability.

The premium/billings from the SDIC are two-part formula driven and based upon the estimated salaries for the fiscal year. The first part of the annual premium is direct claims from workers. There is a cap on the liability for the District. For the 2024–2025 year, the maximum claims liability was \$61,288.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 15 – RISK MANAGEMENT - continued**

The second part of the annual premium represents administrative costs for the current year and claims from prior years. This portion is pooled together with all the other members of the consortium.

|                                                  | Fiscal Year Ended |           |
|--------------------------------------------------|-------------------|-----------|
|                                                  | 6/30/2025         | 6/30/2024 |
| Unpaid Claims Premiums, beginning of fiscal year | \$ -              | \$ -      |
| Claims and premiums                              | 324,176           | 276,784   |
| Payments                                         | (324,176)         | (276,784) |
| Unpaid Claims Premiums, end of fiscal year       | \$ -              | \$ -      |

Self-Insured Medical (Internal Service Fund)

Effective July 1, 2010, the District became self-insured for medical insurance for employees and dependents. Effective June 30, 2013, the District established an internal service fund to administer self-insurance benefits for medical, dental and prescription insurance to all District employees. The District used a third-party administrator to provide consulting and administrative services to process claims within the self-insurance fund. The arrangement also includes stop-loss coverage which provides protection for claims in excess of \$300,000 per person. The following table presents the components of the self-insurance benefits obligation and the related changes to the funds benefit obligation at June 30, 2025:

|                                                                             |             |
|-----------------------------------------------------------------------------|-------------|
| Claims Payable:                                                             | \$ 783,068  |
| Changes in benefit obligations as follows for the year ended June 30, 2025: |             |
| Claims Payable, beginning of year                                           | \$ 774,190  |
| Benefits earned                                                             | 8,423,710   |
| Claims paid                                                                 | (8,414,832) |
| Claims payable, end of year                                                 | \$ 783,068  |

**NOTE 16 – DEFICIT NET POSITION**

For governmental activities, the unrestricted net deficit amount of \$30,817,362 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from the change in the District's share of the net pension and OPEB liabilities. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings and changes in assumptions.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2025**

**NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 101, “Compensated Absences.” The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The effect of that change to the financial reporting resulted in adjustments to and restatements of beginning net position and fund net balance, as follows:

|                          | 6/30/2023<br>as Previously<br>Reported | Change in<br>Accounting<br>Principle | 6/30/2023<br>as<br>Restated |
|--------------------------|----------------------------------------|--------------------------------------|-----------------------------|
| Government-wide          |                                        |                                      |                             |
| Governmental activities  | \$ 8,841,170                           | \$ (1,483,307)                       | \$ 7,357,863                |
| Business-type activities | 1,298,403                              | (5,720)                              | 1,292,683                   |
| Total Primary Government | <u>\$ 10,139,573</u>                   | <u>\$ (1,489,027)</u>                | <u>\$ 8,650,546</u>         |
| Proprietary Funds        |                                        |                                      |                             |
| Major Funds:             |                                        |                                      |                             |
| Food Service Fund        | <u>\$ 1,298,403</u>                    | <u>\$ (5,720)</u>                    | <u>\$ 1,292,683</u>         |
| Total Proprietary Funds  | <u>\$ 1,298,403</u>                    | <u>\$ (5,720)</u>                    | <u>\$ 1,292,683</u>         |

**NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS**

**Statement No. 102, Certain Risk Disclosures** — The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government’s financial condition.

**Statement No. 103, Financial Reporting Model Improvements** — The 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. This Statement also addresses certain application issues. This Statement continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
***June 30, 2025***

**NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS - continued**

and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that “boilerplate” discussions should be avoided by presenting only the most relevant information, focused on the primary government.

**NOTE 19 – SUBSEQUENT EVENTS**

The District has evaluated all subsequent events through December 4, 2025, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
Pennsylvania Public School Employees' Retirement System (PSERS)**

|                                                                                                             | MEASUREMENT DATE |                |               |               |                |                |                |                |                |               |
|-------------------------------------------------------------------------------------------------------------|------------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|---------------|
|                                                                                                             | June 30, 2024    | June 30, 2023  | June 30, 2022 | June 30, 2021 | June 30, 2020  | June 30, 2019  | June 30, 2018  | June 30, 2017  | June 30, 2016  | June 30, 2015 |
| District's proportion of the net pension liability                                                          | 0.2274%          | 0.2304%        | 0.2240%       | 0.2245%       | 0.2245%        | 0.2273%        | 0.2246%        | 0.2235%        | 0.2225%        | 0.2175%       |
| District's proportion of the net pension liability - dollar value                                           | \$ 95,178,000    | \$ 102,541,000 | \$ 99,588,000 | \$ 92,172,000 | \$ 110,542,000 | \$ 106,337,000 | \$ 107,819,000 | \$ 110,383,000 | \$ 110,264,000 | \$ 94,210,000 |
| District's covered employee payroll                                                                         | \$ 36,100,870    | \$ 31,886,118  | \$ 32,986,290 | \$ 31,695,485 | \$ 31,793,279  | \$ 31,269,723  | \$ 30,382,999  | \$ 29,881,260  | \$ 28,934,868  | \$ 28,164,151 |
| District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 263.64%          | 321.59%        | 301.91%       | 290.80%       | 347.69%        | 340.06%        | 354.87%        | 369.41%        | 381.08%        | 334.50%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 64.63%           | 61.85%         | 61.34%        | 63.67%        | 54.32%         | 55.66%         | 54.00%         | 51.84%         | 50.14%         | 54.36%        |

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS -  
Pennsylvania Public School Employees' Retirement System (PSERS)**

|                                                                      | June 30, 2025 | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 |
|----------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 12,481,265 | \$ 11,945,778 | \$ 10,940,127 | \$ 11,212,040 | \$ 10,621,157 | \$ 10,606,238 | \$ 10,193,930 | \$ 9,643,564  | \$ 8,725,328  | \$ 7,233,717  |
| Contributions in relation to the contractually required contribution | 12,481,265    | 11,945,778    | 10,940,127    | 11,212,040    | 10,621,157    | 10,606,238    | 10,193,930    | 9,643,564     | 8,725,328     | 7,233,717     |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered employee payroll                                  | \$ 37,913,928 | \$ 36,100,870 | \$ 31,886,118 | \$ 32,986,290 | \$ 31,695,485 | \$ 31,793,279 | \$ 31,269,723 | \$ 30,382,999 | \$ 29,881,260 | \$ 28,934,868 |
| Contributions as a percentage of covered employee payroll            | 32.92%        | 33.09%        | 34.31%        | 33.99%        | 33.51%        | 33.36%        | 32.60%        | 31.74%        | 29.20%        | 25.00%        |

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -**  
**Pennsylvania Public School Employees' Retirement System (PSERS)**

|                                                                                                          | MEASUREMENT DATE |               |               |               |               |               |               |               |
|----------------------------------------------------------------------------------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                                                                          | June 30, 2024    | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| District's proportion of the net OPEB liability                                                          | 0.2273%          | 0.2304%       | 0.2240%       | 0.2245%       | 0.2245%       | 0.2273%       | 0.2246%       | 0.2235%       |
| District's proportion of the net OPEB liability - dollar value                                           | \$ 4,038,000     | \$ 4,168,000  | \$ 4,123,000  | \$ 5,320,000  | \$ 4,846,000  | \$ 4,834,000  | \$ 4,683,000  | \$ 4,554,000  |
| District's covered employee payroll                                                                      | \$ 36,100,870    | \$ 31,886,118 | \$ 32,986,290 | \$ 31,695,485 | \$ 31,793,279 | \$ 31,269,723 | \$ 30,382,999 | \$ 29,881,260 |
| District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 11.19%           | 13.07%        | 12.50%        | 16.78%        | 15.24%        | 15.46%        | 15.41%        | 15.24%        |
| Plan fiduciary net position as a percentage of the total OPEB liability                                  | 7.13%            | 7.22%         | 6.86%         | 5.30%         | 5.69%         | 5.56%         | 5.56%         | 5.73%         |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

There are no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS -  
Pennsylvania Public School Employees' Retirement System (PSERS)**

|                                                                         | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution                                     | \$ 212,786           | \$ 231,046           | \$ 278,312           | \$ 263,777           | \$ 259,903           | \$ 266,345           | \$ 260,406           | \$ 252,177           |
| Contributions in relation to the contractually<br>required contribution | <u>212,786</u>       | <u>231,046</u>       | <u>278,312</u>       | <u>263,777</u>       | <u>259,903</u>       | <u>266,345</u>       | <u>260,406</u>       | <u>252,177</u>       |
| Contribution deficiency (excess)                                        | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered employee payroll                                     | \$ 37,913,928        | \$ 36,100,870        | \$ 31,886,118        | \$ 32,986,290        | \$ 31,695,485        | \$ 31,793,279        | \$ 31,269,723        | \$ 30,382,999        |
| Contributions as a percentage of covered employee<br>payroll            | 0.63%                | 0.64%                | 0.75%                | 0.80%                | 0.82%                | 0.84%                | 0.83%                | 0.83%                |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

There are no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY - SINGLE EMPLOYER PLAN**

|                                                                           | MEASUREMENT DATE     |                      |                      |                      |                      |                      |                     |                      |
|---------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
|                                                                           | June 30, 2025        | June 30, 2024        | June 30, 2023        | June 30, 2022        | June 30, 2021        | June 30, 2020        | June 30, 2019       | June 30, 2018        |
| TOTAL OPEB LIABILITY                                                      |                      |                      |                      |                      |                      |                      |                     |                      |
| Service cost                                                              | \$ 360,000           | \$ 348,000           | \$ 587,000           | \$ 567,000           | \$ 261,000           | \$ 252,000           | \$ 521,000          | \$ 503,000           |
| Interest on total OPEB liability                                          | 448,000              | 423,000              | 431,000              | 292,000              | 221,000              | 308,000              | 602,000             | 605,000              |
| Effect of assumption changes or inputs                                    | (1,581,000)          | (246,000)            | (899,000)            | (1,534,000)          | 3,735,000            | 1,425,000            | (7,960,000)         | (437,000)            |
| Effect of liability gains or losses                                       | (67,000)             | -                    | -                    | -                    | -                    | -                    | 832,000             | -                    |
| Benefit payments                                                          | (713,000)            | (712,000)            | (685,000)            | (661,000)            | (753,000)            | (775,000)            | (731,000)           | (775,000)            |
| NET CHANGE IN TOTAL OPEB LIABILITY                                        | (1,553,000)          | (187,000)            | (566,000)            | (1,336,000)          | 3,464,000            | 1,210,000            | (6,736,000)         | (104,000)            |
| TOTAL OPEB LIABILITY, BEGINNING OF YEAR                                   | 11,765,000           | 11,952,000           | 12,518,000           | 13,854,000           | 10,390,000           | 9,180,000            | 15,916,000          | 16,020,000           |
| TOTAL OPEB LIABILITY, END OF YEAR                                         | <u>\$ 10,212,000</u> | <u>\$ 11,765,000</u> | <u>\$ 11,952,000</u> | <u>\$ 12,518,000</u> | <u>\$ 13,854,000</u> | <u>\$ 10,390,000</u> | <u>\$ 9,180,000</u> | <u>\$ 15,916,000</u> |
| <u>PLAN FIDUCIARY NET POSITION</u>                                        |                      |                      |                      |                      |                      |                      |                     |                      |
| PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR                            | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                | \$ -                 |
| PLAN FIDUCIARY NET POSITION, END OF YEAR                                  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>         | <u>\$ -</u>          |
| DISTRICT'S NET OPEB LIABILITY                                             | <u>\$ 10,212,000</u> | <u>\$ 11,765,000</u> | <u>\$ 11,952,000</u> | <u>\$ 12,518,000</u> | <u>\$ 13,854,000</u> | <u>\$ 10,390,000</u> | <u>\$ 9,180,000</u> | <u>\$ 15,916,000</u> |
| Plan fiduciary net position as a percentage of total OPEB liability       | 0.00%                | 0.00%                | 0.00%                | 0.00%                | 0.00%                | 0.00%                | 0.00%               | 0.00%                |
| Covered employee payroll                                                  | \$ 38,474,519        | \$ 35,048,628        | \$ 35,048,628        | \$ 33,493,323        | \$ 32,101,048        | \$ 31,062,034        | \$ 30,557,282       | \$ 29,587,921        |
| District's net OPEB liability as a percentage of covered employee payroll | 26.54%               | 33.57%               | 34.10%               | 37.37%               | 43.16%               | 33.45%               | 30.04%              | 53.79%               |
| Expected average remaining service years of all participants              | 10                   | 10                   | 8                    | 8                    | 8                    | 8                    | 8                   | 8                    |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

There are no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

## **SINGLE AUDIT SECTION**



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

December 4, 2025

Members of the Board  
Kennett Consolidated School District  
Kennett Square, 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, each major fund, and the aggregate remaining fund information of the Kennett Consolidated School District (the District), Kennett Square, Pennsylvania, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2025.

Report on Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

Members of the Board  
Kennett Consolidated School District

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

#### Report on Compliance and Other Matters

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

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP



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

December 4, 2025

Members of the Board  
Kennett Consolidated School District  
Kennett Square, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Kennett Consolidated School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the District compiled, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2025.

Basis for Opinion on Major Federal Program

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

Members of the Board  
Kennett Consolidated School District

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

Responsibilities of Management for Compliance

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

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

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

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

Members of the Board  
Kennett Consolidated School District

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.

  
BARBACANE, THORNTON & COMPANY LLP

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

| Federal Grantor/Pass-through Grantor Project Title        | SOURCE<br>CODE | FEDERAL<br>ALN<br>NUMBER | PASS-<br>THROUGH<br>GRANTOR'S<br>NUMBER | GRANT PERIOD<br>BEGINNING/<br>ENDING DATES | GRANT<br>AMOUNT | TOTAL<br>RECEIVED<br>FOR YEAR | ACCRUED<br>(UNEARNED)<br>REVENUE<br>6/30/2024 | REVENUE<br>RECOGNIZED | EXPENDITURES | ACCRUED<br>(UNEARNED)<br>REVENUE<br>6/30/2025 | PASSED<br>THROUGH<br>TO<br>SUBRECIPIENTS |
|-----------------------------------------------------------|----------------|--------------------------|-----------------------------------------|--------------------------------------------|-----------------|-------------------------------|-----------------------------------------------|-----------------------|--------------|-----------------------------------------------|------------------------------------------|
| <b>U.S. Department of Education</b>                       |                |                          |                                         |                                            |                 |                               |                                               |                       |              |                                               |                                          |
| Passed through Pennsylvania Department of Education       |                |                          |                                         |                                            |                 |                               |                                               |                       |              |                                               |                                          |
| Title I - Grants to Local Education Agencies              | I              | 84.010                   | 013-25-0210                             | 08/31/24-09/30/25                          | \$ 671,528      | \$ 384,369                    | \$ -                                          | \$ 548,573            | \$ 548,573   | \$ 164,204                                    | \$ -                                     |
| Title I - Grants to Local Education Agencies              | I              | 84.010                   | 013-24-0210                             | 08/31/23-09/30/24                          | 725,588         | 362,610                       | 129,150                                       | 233,460               | 233,460      | -                                             | -                                        |
| Total ALN 84.010                                          |                |                          |                                         |                                            |                 | 746,979                       | 129,150                                       | 782,033               | 782,033      | 164,204                                       | -                                        |
| Title II - Improving Teacher Quality                      | I              | 84.367                   | 020-25-0210                             | 08/31/24-09/30/25                          | 87,395          | 86,788                        | -                                             | 87,395                | 87,395       | 607                                           | -                                        |
| Title II - Improving Teacher Quality                      | I              | 84.367                   | 020-24-0210                             | 08/31/23-09/30/24                          | 114,931         | 32,910                        | 31,796                                        | 1,115                 | 1,115        | -                                             | -                                        |
| Total ALN 84.367                                          |                |                          |                                         |                                            |                 | 119,698                       | 31,796                                        | 88,510                | 88,510       | 607                                           | -                                        |
| Title III - Language Inst LEP                             | I              | 84.365                   | 010-25-0210                             | 08/31/24-09/30/25                          | 130,579         | 83,944                        | -                                             | 91,812                | 91,812       | 7,868                                         | -                                        |
| Title III - Language Inst LEP                             | I              | 84.365                   | 010-24-0210                             | 08/31/23-09/30/24                          | 116,044         | 33,155                        | 7,817                                         | 25,338                | 25,338       | -                                             | -                                        |
| Total ALN 84.365                                          |                |                          |                                         |                                            |                 | 117,099                       | 7,817                                         | 117,150               | 117,150      | 7,868                                         | -                                        |
| Title IV-Student Support and Academic Enrichment          | I              | 84.424                   | 144-25-0210                             | 08/31/24-09/30/25                          | 54,642          | 15,612                        | -                                             | 54,642                | 54,642       | 39,030                                        | -                                        |
| Title IV-Student Support and Academic Enrichment          | I              | 84.424                   | 144-24-0210                             | 08/31/23-09/30/24                          | 42,954          | 12,273                        | (4,898)                                       | 17,171                | 17,171       | -                                             | -                                        |
| Total ALN 84.424                                          |                |                          |                                         |                                            |                 | 27,885                        | (4,898)                                       | 71,813                | 71,813       | 39,030                                        | -                                        |
| Elementary and Secondary School Emergency Relief Fund II  | I              | 84.425                   | 200-21-0210                             | 03/13/20-09/30/23                          | 2,371,355       | -                             | -                                             | -                     | -            | -                                             | -                                        |
| Elementary and Secondary School Emergency Relief Fund III | I              | 84.425                   | 223-21-0210                             | 03/13/20-09/30/24                          | 4,796,565       | -                             | 13,404                                        | (13,404)              | (13,404)     | -                                             | -                                        |
| Elementary and Secondary School Emergency Relief Fund 7%  | I              | 84.425                   | 225-21-0210                             | 03/13/20-09/30/24                          | 372,801         | -                             | -                                             | -                     | -            | -                                             | -                                        |
| Total ALN 84.425                                          |                |                          |                                         |                                            |                 | -                             | 13,404                                        | (13,404)              | (13,404)     | -                                             | -                                        |
| <b>Subgrant from U.S. Department of Education</b>         |                |                          |                                         |                                            |                 |                               |                                               |                       |              |                                               |                                          |
| Passed through Chester County Intermediate Unit           |                |                          |                                         |                                            |                 |                               |                                               |                       |              |                                               |                                          |
| I.D.E.A. Part B                                           | I              | 84.027                   | 062-25-0024                             | 07/01/24-09/30/25                          | 521,830         | 521,830                       | -                                             | 521,830               | 521,830      | -                                             | -                                        |
| I.D.E.A. Part B                                           | I              | 84.027                   | 062-24-0024                             | 07/01/23-06/30/24                          | 479,169         | 94,517                        | 94,517                                        | -                     | -            | -                                             | -                                        |
| Total ALN 84.027                                          |                |                          |                                         |                                            |                 | 616,347                       | 94,517                                        | 521,830               | 521,830      | -                                             | -                                        |
| I.D.E.A. Part B 619                                       | I              | 84.173                   | 131-24-0024B                            | 07/01/24-09/30/25                          | 2,415           | 2,415                         | -                                             | 2,415                 | 2,415        | -                                             | -                                        |
| Total ALN 84.173                                          |                |                          |                                         |                                            |                 | 2,415                         | -                                             | 2,415                 | 2,415        | -                                             | -                                        |
| Total Special Education Cluster                           |                |                          |                                         |                                            |                 | 618,762                       | 94,517                                        | 524,245               | 524,245      | -                                             | -                                        |
| <b>Total U.S. Department of Education</b>                 |                |                          |                                         |                                            |                 | 1,630,423                     | 271,786                                       | 1,570,347             | 1,570,347    | 211,709                                       | -                                        |
| <b>U.S. Department of Agriculture</b>                     |                |                          |                                         |                                            |                 |                               |                                               |                       |              |                                               |                                          |
| Passed through Pennsylvania Department of Agriculture     |                |                          |                                         |                                            |                 |                               |                                               |                       |              |                                               |                                          |
| Value of U.S.D.A. Donated Commodities                     | I              | 10.555                   | N/A                                     | 09/01/24-06/30/25                          | N/A             | 197,505                       | -                                             | 197,505               | 197,505      | -                                             | -                                        |
| Passed through Pennsylvania Department of Education       |                |                          |                                         |                                            |                 |                               |                                               |                       |              |                                               |                                          |
| National School Lunch Program                             | I              | 10.555                   | N/A                                     | 09/01/24-06/30/25                          | N/A             | 805,966                       | 13,475                                        | 833,826               | 833,826      | 41,335                                        | -                                        |
| Total ALN 10.555                                          |                |                          |                                         |                                            |                 | 1,003,471                     | 13,475                                        | 1,031,331             | 1,031,331    | 41,335                                        | -                                        |

Continued on next page.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

| Federal Grantor/Pass-through Grantor Project Title                  | SOURCE<br>CODE | FEDERAL<br>ALN<br>NUMBER | PASS-<br>THROUGH<br>GRANTOR'S<br>NUMBER | GRANT PERIOD<br>BEGINNING/<br>ENDING DATES | GRANT<br>AMOUNT | TOTAL<br>RECEIVED<br>FOR YEAR | ACCRUED<br>(DEFERRED)<br>REVENUE<br>6/30/2024 | REVENUE<br>RECOGNIZED | EXPENDITURES        | ACCRUED<br>(DEFERRED)<br>REVENUE<br>6/30/2025 | PASSED<br>THROUGH<br>TO<br>SUBRECIPIENTS |
|---------------------------------------------------------------------|----------------|--------------------------|-----------------------------------------|--------------------------------------------|-----------------|-------------------------------|-----------------------------------------------|-----------------------|---------------------|-----------------------------------------------|------------------------------------------|
| (cont'd)                                                            |                |                          |                                         |                                            |                 |                               |                                               |                       |                     |                                               |                                          |
| <b>U.S. Department of Agriculture</b>                               |                |                          |                                         |                                            |                 |                               |                                               |                       |                     |                                               |                                          |
| Passed through Pennsylvania Department of Education                 |                |                          |                                         |                                            |                 |                               |                                               |                       |                     |                                               |                                          |
| Breakfast Program                                                   | I              | 10.553                   | N/A                                     | 09/01/24-06/30/25                          | N/A             | 184,830                       | -                                             | 184,830               | 184,830             | -                                             | -                                        |
| Total CFDA# 10.553                                                  |                |                          |                                         |                                            |                 | 184,830                       | -                                             | 184,830               | 184,830             | -                                             | -                                        |
| Total Child Nutrition Cluster                                       |                |                          |                                         |                                            |                 | 1,188,301                     | 13,475                                        | 1,216,161             | 1,216,161           | 41,335                                        | -                                        |
| <b>Total U.S. Department of Agriculture</b>                         |                |                          |                                         |                                            |                 | 1,188,301                     | 13,475                                        | 1,216,161             | 1,216,161           | 41,335                                        | -                                        |
| <b>U.S. Department of Health and Human Services</b>                 |                |                          |                                         |                                            |                 |                               |                                               |                       |                     |                                               |                                          |
| Passed through Pennsylvania Department of Health and Human Services |                |                          |                                         |                                            |                 |                               |                                               |                       |                     |                                               |                                          |
| Medical Assistance Program                                          | I              | 93.778                   | N/A                                     | 07/01/24-06/30/25                          | 23,226.00       | 20,525                        | 20,525                                        | -                     | -                   | -                                             | -                                        |
| Medical Assistance Program                                          | I              | 93.778                   | N/A                                     | 07/01/23-06/30/24                          | 239,055.00      | 236,120                       | -                                             | 239,055               | 239,055             | 2,935                                         | -                                        |
| Total CFDA# 93.778                                                  |                |                          |                                         |                                            |                 | 256,645                       | 20,525                                        | 239,055               | 239,055             | 2,935                                         | -                                        |
| <b>Total U.S. Department of Health and Human Services</b>           |                |                          |                                         |                                            |                 | 256,645                       | 20,525                                        | 239,055               | 239,055             | 2,935                                         | -                                        |
| <b>TOTAL FEDERAL AWARDS</b>                                         |                |                          |                                         |                                            |                 | <u>\$ 3,075,369</u>           | <u>\$ 305,786</u>                             | <u>\$ 3,025,563</u>   | <u>\$ 3,025,563</u> | <u>\$ 255,979</u>                             | <u>\$ -</u>                              |

Source Codes:

D = Direct Funding  
I = Indirect Funding

KENNETT CONSOLIDATED SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under ALN 10.555, National School Lunch Program, include surplus food consumed by the District during the 2024 - 2025 fiscal year.

NOTE D INDIRECT COST RATE

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

NOTE E ACCESS PROGRAM

The ACCESS Program 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 recognized for the year ended June 30, 2025 was \$112,336.

KENNETT CONSOLIDATED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- |                                                         |                   |                            |
|---------------------------------------------------------|-------------------|----------------------------|
| • Material weakness(es) identified?                     | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified?               | <u>      </u> Yes | <u>  X  </u> None reported |
| • Noncompliance material to financial statements noted? | <u>      </u> Yes | <u>  X  </u> No            |

*Federal Awards*

Internal control over major program:

- |                                           |                   |                            |
|-------------------------------------------|-------------------|----------------------------|
| • Material weakness(es) identified?       | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified? | <u>      </u> Yes | <u>  X  </u> None reported |

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

       Yes   X   No

Identification of major program:

Assistance Listing Number

Name of Federal Program or Cluster

84.010

Title I - Grants to Local Education Agencies

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

\$ 750,000

Auditee qualified as low-risk auditee?

  X   Yes        No

KENNETT CONSOLIDATED SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.