FREEPORT AREA SCHOOL DISTRICT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

FREEPORT AREA SCHOOL DISTRICT

ARMSTRONG COUNTY, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

AND

OTHER INFORMATION REQUIRED BY GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE

WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2025

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FREEPORT, PENNSYLVANIA
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FREEPORT, PENNSYLVANIA
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Management and Board of Education
Freeport Area School District
Freeport, Pennsylvania

Independent Auditor's Report

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Freeport Area School District as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Freeport Area School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv-xiv and the other required supplementary information on pages 54-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Freeport Area School District's basic financial statements. The accompanying supplementary information – Detailed Schedule of Budgeted and Actual Revenues – General Fund, Detailed Schedule of Budgeted and Actual Expenditures – General Fund, and Cash Summary – Student Activity Custodial Funds, on pages 49-53, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 67 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Detailed Schedule of Budgeted and Actual Revenues – General Fund, Detailed Schedule of Budgeted and Actual Expenditures – General Fund, and Cash Summary – Student Activity Custodial Funds, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2026 on our consideration of the Freeport Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Freeport Area School District's internal control over financial reporting and compliance.

Turnley Robertson & Associates LLC

Turnley Robertson & Associates LLC

February 4, 2026
New Brighton, Pennsylvania

FREEPORT AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2025

The discussion and analysis of Freeport Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and accompanying notes to the financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is a requirement of the Annual Comprehensive Financial Report (ACFR) conforming to the model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB 34 requires a comparison of certain information between the current year and the prior year.

FINANCIAL HIGHLIGHTS

- The District's total governmental activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2025 by $11,343,595 (net position – deficit). This was an increase in the deficit of $3,500,394 over June 30, 2024. The deficit net position is mainly the result of the District's required implementation of GASB 75, '*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*' which started with the June 30, 2018 fiscal year, and GASB 68 '*Accounting and Financial Reporting for Pensions*' which was originally implemented at June 30, 2015. The District is now required to recognize a liability for their post-employment healthcare plan, to recognize a liability for their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net healthcare obligation, and to recognize their proportionate share of the PSERS overall net pension obligation. For the Freeport Area School District, these liabilities stand at $5,016,409, $1,612,100, and $38,187,660, respectively for the governmental activities and $0, $32,900, and $779,340, respectively for the business-type activities as of June 30, 2025.

- The School District had governmental funds revenues and other financing sources of $39,492,784 (excluding transfers) and governmental fund expenditures and other financing uses of $38,196,511 (excluding transfers) for the fiscal year ended June 30, 2025. The net change in fund balance for all governmental funds was an increase of $1,296,273, with a total fund balance at June 30, 2025 of $11,964,736. These amounts are reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit E).

- The General Fund total fund balance increased by $1,390,334, to $8,633,393 of which $3,437,424 is unassigned and is approximately equal to 8.7% of the 2025-2026 General Fund Budget. As shown in Exhibit G, due to the district's conservative budgeting practices, the district experienced anticipated positive variances in all three revenue categories, Local, State, and Federal.

- The Capital Projects Fund total fund balance increased by $179,623, primarily due to a $400,000 transfer from the General Fund for the 2024-2025 fiscal year.

- The Debt Service Fund total fund balance decreased by $273,684.

USING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

The Annual Comprehensive Financial Report (ACFR) consists of this Management Discussion and Analysis and a series of financial statements and notes to those statements. The statements are organized so that the reader can understand Seneca Valley School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

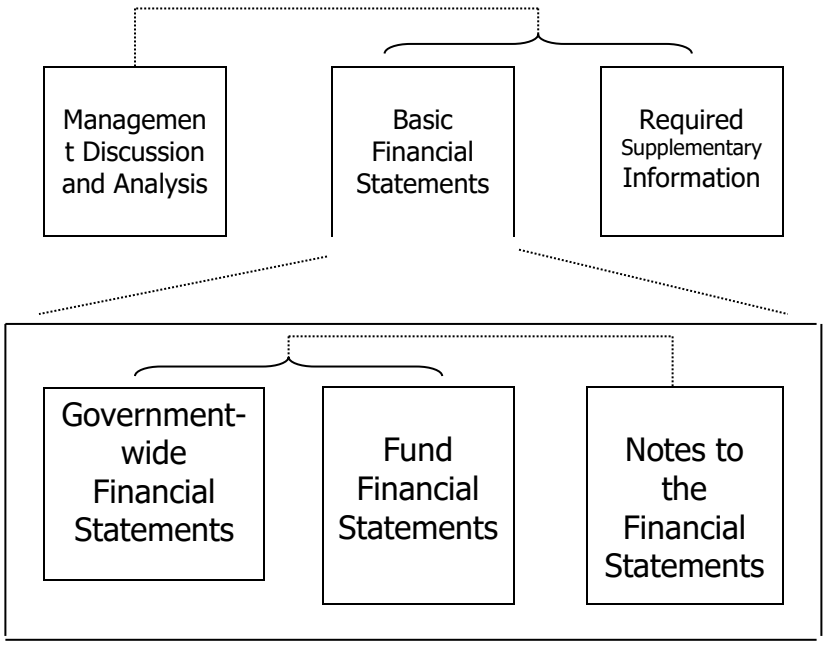
- The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the Districts operations in more detail than the government-wide statements. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, which for this District is the Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of
Freeport Area School District's
Financial Report



USING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Freeport Area School District's
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and student activities	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Activity Funds
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS

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 the government's assets and liabilities. All 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 they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and student activities. Property taxes and state and federal subsidies and grants 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 the costs of operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond issue requirements.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the district's custodial student activities funds and a private purpose trust fund for post-secondary scholarships. 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 district-wide statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1
Fiscal Year ended June 30
Net Position

	JUNE 30, 2025			JUNE 30, 2024		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Current Assets	$ 17,384,476	$ 573,327	$ 17,957,803	$ 16,015,994	$ 619,734	$ 16,635,728
Capital Assets	45,909,244	93,394	46,002,638	47,919,657	52,617	47,972,274
Deferred Outflows of Resources	7,254,202	120,742	7,374,944	8,041,382	147,272	8,188,654
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	**$ 70,547,922**	**$ 787,463**	**$ 71,335,385**	**$ 71,977,033**	**$ 819,623**	**$ 72,796,656**
Current Liabilities	$ 7,088,298	$ 35,728	$ 7,124,026	$ 6,977,751	$ 51,783	$ 7,029,534
Long-Term Liabilities	70,584,660	812,240	71,396,900	74,711,231	860,060	75,571,291
Deferred Inflows of Resources	4,218,559	42,040	4,260,599	5,132,040	57,320	5,189,360
TOTAL LIABILITIES & DEFERRED INTFLOWS OF RESOURCES	**$ 81,891,517**	**$ 890,008**	**$ 82,781,525**	**$ 86,821,022**	**$ 969,163**	**$ 87,790,185**
Net Investment in Capital Assets	$ 22,283,559	$ 93,394	$ 22,376,953	$ 21,538,043	$ 52,617	$ 21,590,660
Restricted	121,357	-	121,357	395,041	-	395,041
Unrestricted (Deficit)	(33,748,511)	(195,939)	(33,944,450)	(36,777,073)	(202,157)	(36,979,230)
TOTAL NET POSITION (Deficit)	**$ (11,343,595)**	**$ (102,545)**	**$ (11,446,140)**	**$ (14,843,989)**	**$ (149,540)**	**$ (14,993,529)**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 70,547,922**	**$ 787,463**	**$ 71,335,385**	**$ 71,977,033**	**$ 819,623**	**$ 72,796,656**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

The change in deferred outflows of resources, long-term liabilities, and deferred inflows of resources, along with the decrease in the District's net position is attributed to the aforementioned implementation of GASB 75 during the 2017-2018 fiscal year and the implementation of GASB 68 during the 2014-2015 fiscal year which are outlined in the first paragraph of "Financial Highlights".

Some of the District's net position is invested in capital assets (buildings, land, land improvements and equipment). The remaining unrestricted net position is a combination of committed and unassigned amounts.

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

Table A-2 takes the information from that Statement and rearranges it slightly so you can see the total revenues for the year.

Fiscal Year ended June 30
Changes in Net Position

	JUNE 30, 2025			JUNE 30, 2024		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
REVENUES						
Program Revenues:						
Charges for Services	$ 154,523	$ 531,534	$ 686,057	$ 226,537	$ 452,737	$ 679,274
Operating Grants and Contributions	7,861,816	602,110	8,463,926	7,483,053	649,735	8,132,788
Capital Grants and Contributions	244,528	-	244,528	255,122	-	255,122
General Revenues:						
Property Taxes	18,515,145	-	18,515,145	18,421,929	-	18,421,929
Other Taxes	2,696,622	-	2,696,622	2,543,002	-	2,543,002
Grants, Subsidies and Contributions	9,151,678	-	9,151,678	8,802,156	-	8,802,156
Investment Earnings	850,928	4,777	855,705	969,120	3,971	973,091
Other	107,931	-	107,931	164,777	47,064	211,841
TOTAL REVENUES	**$ 39,583,171**	**$ 1,138,421**	**$ 40,721,592**	**$ 38,865,696**	**$ 1,153,507**	**$ 40,019,203**
EXPENSES						
Instruction	$ 22,073,427	$ -	$ 22,073,427	$ 21,291,090	$ -	$ 21,291,090
Instructional Student Support	2,270,969	-	2,270,969	2,678,869	-	2,678,869
Administrative and Financial Support	3,732,463	-	3,732,463	3,504,133	-	3,504,133
Operation and Maintenance of Plant	3,685,558	-	3,685,558	3,405,481	-	3,405,481
Pupil Transportation	2,216,904	-	2,216,904	2,194,605	-	2,194,605
Student Activities	699,361	-	699,361	684,169	-	684,169
Community Services	-	-	-	2,970	-	2,970
Interest on Long-term Debt & Refund of Prior Year Receipts	1,404,095		1,404,095	1,276,942		1,276,942
Food Services	-	1,091,426	1,091,426	-	989,740	989,740
TOTAL EXPENSES	**$ 36,082,777**	**$ 1,091,426**	**$ 37,174,203**	**$ 35,038,259**	**$ 989,740**	**$ 36,027,999**
CHANGE IN NET POSITION	**$ 3,500,394**	**$ 46,995**	**$ 3,547,389**	**$ 3,827,437**	**$ 163,767**	**$ 3,991,204**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

The increase in expenses reflects again the effects of the implementation of GASB Statement No. 68 implemented during the 2014-2015 fiscal year and GASB No 75 implemented during the 2017-2018 fiscal year.

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's nine largest functions - instructional programs, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, community services, scholarships and awards, and food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Year ended June 30
Governmental Activities

	JUNE 30, 2025		JUNE 30, 2024	
	TOTAL COST OF SERVICE	NET COST OF SERVICE	TOTAL COST OF SERVICE	NET COST OF SERVICE
EXPENSES				
Instruction	$ 22,073,427	$ 16,715,637	$ 21,291,090	$ 16,210,484
Instructional Student Support	2,270,969	1,835,598	2,678,869	2,326,222
Administrative and Financial Support	3,732,463	3,302,668	3,504,133	3,077,242
Operation and Maintenance of Plant	3,685,558	3,254,296	3,405,481	2,789,244
Pupil Transportation	2,216,904	978,671	2,194,605	1,088,059
Student Activities	699,361	575,473	684,169	560,476
Community Services	-	-	2,970	-
Interest on Long-term Debt & Refund of Prior Year Receipts	1,404,095	1,159,567	1,276,942	1,021,820
TOTAL EXPENSES	**$ 36,082,777**	**$ 27,821,910**	**$ 35,038,259**	**$ 27,073,547**
Less:				
Unrestricted Grants, Subsidies		9,151,678		8,802,156
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		**$ 18,670,232**		**$ 18,271,391**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-4 reflects the activities of the Food Service program, the only Business-type activities of the District.

Table A-4
Fiscal Year ended June 30
Business-Type Activities

	JUNE 30, 2025		JUNE 30, 2024	
	TOTAL COST OF SERVICE	NET COST OF SERVICE	TOTAL COST OF SERVICE	NET COST OF SERVICE
EXPENSES				
Food Service	$ 1,091,426	$ 42,218	$ 989,740	$ 112,732
Interest Income/Other		4,777		51,035
TOTAL BUSINESS-TYPE ACTIVITIES NET INCOME <LOSS>		**$ 46,995**		**$ 163,767**

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

THE DISTRICT FUNDS

At June 30, 20245 the District governmental funds reported a combined fund balance of **$11,964,736** which is an increase of **$1,296,273** or 12.2% from June 30, 2024.

General Fund Budget

During the fiscal year, the Board of Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed after the annual financial report is substantially completed, which is after the end of the fiscal year, as permitted by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

Transfers between specific categories of expenditures and financing uses occur during the year. The most significant transfers occur from one specific expenditure area to other specific expenditure areas. There was no budgetary reserve included in the original budget.

There were no budgetary transfers made during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2025, the District's governmental activities had **$45,909,244** invested in a broad range of capital assets, including land, land improvements, buildings and furniture and equipment.

Table A-5
Governmental Activities
Capital assets - net of depreciation

	2025	2024
Land & Improvements	$ 3,156,865	$ 3,404,481
Construction in Progress	-	2,058,438
Buildings & Improvements	42,018,893	42,054,989
Furniture & Equipment	677,857	318,304
Right-To-Use Assets	55,629	83,445
	$ 45,909,244	**$ 47,919,657**

The decrease in capital assets was due to depreciation expense exceeding capital additions.

DEBT ADMINISTRATION

As of July 1, 2024, the District had total outstanding bond, note, and lease principal of $29,408,509. The District made payments against principal of $2,575,886 resulting in ending outstanding debt as of June 30, 2025 of $26,832,623.

Table A-6
Outstanding Debt

	2025	2024
GON - Series of 2014	$ 8,000,000	$ 10,460,000
GON - Series A of 2014	5,845,000	5,850,000
GOB - Series of 2015	175,000	210,000
GOB - Series of 2020	9,665,000	9,710,000
GON - Series of 2022	3,085,000	3,090,000
Lease Agreement	62,623	88,509
	$ 26,832,623	**$ 29,408,509**

Other long-term obligations include net pension liability, net OPEB liability, and accrued compensated absences. More detailed information about long-term liabilities is included in the Notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District continues to experience increased residential development which has resulted in a gradual increase in assessed property values, mainly in Butler County. Overall, the current State Tax Equalization Board (STEB) Market Values equate to 23.10% in Armstrong County and 76.90% in Butler County. Since the 2013-2014 school year, the STEB Market Values have shifted 9.42% from Armstrong County to Butler County in terms of the State Tax Equalization process and formula considering Freeport is a multi-county school district.

The general fund expenditure budget for 2025-2026 is $39,709,259 with revenues of $23,059,024 coming from local sources, $16,945,651 coming from state sources, and $499,775 coming from federal sources, accounting for the projected budgetary surplus of $795,191 that is being dedicated to future capital improvements to the District's High School Renovation plans. The total budget reflects an increase of 3.28% from the prior year budgeted expenditures, with an increase of 6.19% in budgeted revenues.

The original 2024-2025 Operating Budget, paired with the updates released from the State level, which were released after the 2025-2026 FASD Operating Budget was adopted, anticipated a ($304,166) operating deficit. However, based on the adopted 2025-2026 budget, paired with 2024-2025 actuals, the total general fund balance ended at $6,633,393 on June 30, 2025.

Actual expenditures exceeded budgeted expenditures by $167,762 while actual revenues surpassed budgetary revenues by $1,509,838. The Budgetary Reserve line item of $363,000 was not utilized during the 2024-2025 school year as a built-in expenditure to the budget's bottom line. With expenditures being within 1% of budget, a detailed explanation of the revenue variance is as follows:

Detailed explanation to additional revenues received during the 2024-2025 school year are as follows:

- Interest Earnings outperforming budget expectations by $300K primarily due to high yielding accounts and timely CD offerings coupled with the District's budgetary approach to the FED's anticipation to lower rates throughout the year, which did not occur.
- Basic Ed Subsidy passed at the State level after FASD's 2024-2025 Budget was adopted; being greater than anticipated by $20K
- Special Ed Subsidy passed at the State level after FASD's 2024-2025 Budget was adopted; being greater than anticipated by $70K
- Adequacy Supplement Funding in the amount of $285,287 was included in the State's budget
- The District experienced better than expected collection on local real estate taxes by the total amount of $155,071
- Earned Income Tax outperformed budgeted expenses by $106,551
- Regular Education Transportation Subsidy allocation came in $157K higher than budgeted
- Special Education Transportation Subsidy allocation came in $219K higher than budgeted

The school board on June 13, 2007 committed $1,000,000 of the unassigned general fund balance for the purpose of deferred maintenance, such as, but not limited to, roof replacement, district paving, and equipment replacement; on March 8, 2010 the school board committed $1,000,000 of the unassigned fund balance for the purpose of offsetting future retirement costs; on February 9, 2011 the school board committed an additional $1,000,000 for the purpose of offsetting accumulated post-employment benefits. Administration's recommendation for commitment during February 2025's audit presentation was to also commit an additional $1,100,000 towards the District's rising medical costs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

It is Administration's recommendation to allocate $1,014,368 more to deferred maintenance, which leaves a total of $3,437,423 in unassigned fund balance and the total committed fund balance at June 30, 2025 is $5,114,368.

It continues to be Administration's intent to review the Committed Fund Balances during the 2026-2027 budgetary process to best serve the District's long-term plan moving forward.

The comparison of revenue and expenditure categories is as follows:

Table A-7

BUDGETED REVENUES

	2025-2026	2024-2025
Local	56.93%	57.37%
State	41.84%	41.70%
Federal/Other	1.23%	0.93%

BUDGETED EXPENDITURES

	2025-2026	2024-2025
Instruction	56.95%	56.39%
Support Services	30.54%	29.99%
Non-Instruction/Community/Other	1.80%	2.10%
Fund Transfers/Debt/Budgetary Reserve	10.71%	11.52%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

The Freeport Area School District financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Bradley T. Walker, Director of Finance & Operations at Freeport Area School District, PO Box C, Freeport, PA 16229, (724) 295-5141 x 1226, bwalker@freeport.k12.pa.us.

FREEPORT AREA SCHOOL DISTRICT **EXHIBIT A**
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 10,026,647	$ 248,538	$ 10,275,185
Investments	4,559,461	-	4,559,461
Taxes Receivable, net	1,556,651	-	1,556,651
Internal Balances	(290,955)	290,955	-
Due From Other Governments	1,420,199	-	1,420,199
Other Accounts Receivable	53,883	17,352	71,235
Inventories	58,590	16,482	75,072
Total Current Assets	**$ 17,384,476**	**$ 573,327**	**$ 17,957,803**
Noncurrent Assets:			
Land (non-depreciable)	$ 823,039	$ -	$ 823,039
Site Improvements (net)	2,333,826	-	2,333,826
Building & Building Improvements (net)	42,018,893	-	42,018,893
Furniture & Equipment (net)	677,857	93,394	771,251
Intangible Right-To-Use Asset (net)	55,629	-	55,629
Total Noncurrent Assets	**$ 45,909,244**	**$ 93,394**	**$ 46,002,638**
TOTAL ASSETS	**$ 63,293,720**	**$ 666,721**	**$ 63,960,441**
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pension	$ 5,696,951	$ 116,264	$ 5,813,215
Deferred Outflows Related to OPEB	1,557,251	4,478	1,561,729
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 7,254,202**	**$ 120,742**	**$ 7,374,944**
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	**$ 70,547,922**	**$ 787,463**	**$ 71,335,385**
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 295,635	$ 286	$ 295,921
Accrued Salaries and Benefits	3,690,587	-	3,690,587
Payroll Deductions and Withholdings	13,288	-	13,288
Unearned Revenue	-	35,442	35,442
Bonds and Notes Payable - Current Portion	2,655,000	-	2,655,000
Lease Payable - Current Portion	29,466	-	29,466
Compensated Absences - Current Portion	404,322	-	404,322
Total Current Liabilities	**$ 7,088,298**	**$ 35,728**	**$ 7,124,026**
Noncurrent Liabilities:			
Bonds and Notes Payable - Long-Term Portion (Net)	$ 24,118,048	$ -	$ 24,118,048
Lease Payable - Long-Term Portion	33,157	-	33,157
Compensated Absences - Long-Term Portion	1,617,286	-	1,617,286
Net Pension Liability	38,187,660	779,340	38,967,000
Net OPEB Liabilty	6,628,509	32,900	6,661,409
Total Noncurrent Liabilities	**$ 70,584,660**	**$ 812,240**	**$ 71,396,900**
TOTAL LIABILITIES	**$ 77,672,958**	**$ 847,968**	**$ 78,520,926**
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pension	$ 1,706,180	$ 34,820	$ 1,741,000
Deferred Inflows Related to OPEB	2,512,379	7,220	2,519,599
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ 4,218,559**	**$ 42,040**	**$ 4,260,599**
NET POSITION			
Net Investment in Capital Assets	$ 22,283,559	$ 93,394	$ 22,376,953
Restricted	121,357	-	121,357
Unrestricted (Deficit)	(33,748,511)	(195,939)	(33,944,450)
TOTAL NET POSITION (Deficit)	**$ (11,343,595)**	**$ (102,545)**	**$ (11,446,140)**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 70,547,922**	**$ 787,463**	**$ 71,335,385**

The accompanying notes are an integral part of these financial statements

EXHIBIT B

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
Instruction	$ 22,073,427	$ 13,200	$ 5,344,590	$ -	$ (16,715,637)	$ -	$ (16,715,637)
Instructional Student Support	2,270,969	-	435,371	-	(1,835,598)	-	(1,835,598)
Administrative and Financial Support Services	3,732,463	-	429,795	-	(3,302,668)	-	(3,302,668)
Operation and Maintenance of Plant Services	3,685,558	81,715	349,547	-	(3,254,296)	-	(3,254,296)
Pupil Transportation	2,216,904	-	1,238,233	-	(978,671)	-	(978,671)
Student Activities	699,361	59,608	64,280	-	(575,473)	-	(575,473)
Interest on Long-Term Debt & Refund of Prior Year Receipts	1,404,095	-	-	244,528	(1,159,567)	-	(1,159,567)
Total Governmental Activities	**$ 36,082,777**	**$ 154,523**	**$ 7,861,816**	**$ 244,528**	**$ (27,821,910)**	**$ -**	**$ (27,821,910)**
Business-Type activities:							
Food Service	$ 1,091,426	$ 531,534	$ 602,110	$ -	$ -	$ 42,218	$ 42,218
Total Business-Type Activities	**$ 1,091,426**	**$ 531,534**	**$ 602,110**	**$ -**	**$ -**	**$ 42,218**	**$ 42,218**
Total Primary Government	**$ 37,174,203**	**$ 686,057**	**$ 8,463,926**	**$ 244,528**	**$ (27,821,910)**	**$ 42,218**	**$ (27,779,692)**
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes (net)					$ 18,515,145	$ -	$ 18,515,145
Taxes Levied for Specific Purposes					2,696,622	-	2,696,622
Basic Subsidy					8,081,549	-	8,081,549
Property Tax Relief Payment					1,070,129	-	1,070,129
Investment Earnings					850,928	4,777	855,705
Miscellaneous Income					107,031	-	107,031
Sale of Fixed Assets					900	-	900
Total General Revenues					**$ 31,322,304**	**$ 4,777**	**$ 31,327,081**
Change in Net Position					**$ 3,500,394**	**$ 46,995**	**$ 3,547,389**
Net Position - July 1, 2024 (Deficit)					(14,843,989)	(149,540)	(14,993,529)
Net Position — June 30, 2025 (Deficit)					**$ (11,343,595)**	**$ (102,545)**	**$ (11,446,140)**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT **EXHIBIT C**
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	$ 9,975,869	$ 50,778	$ -	$ 10,026,647
Investments	1,235,492	3,156,208	167,761	4,559,461
Taxes Receivable, net	1,369,732	-	-	1,369,732
Due From Other Governments	1,420,199	-	-	1,420,199
Due From Other Funds	-	3,000	-	3,000
Other Accounts Receivables	53,883	-	-	53,883
Inventory	58,590	-	-	58,590
TOTAL ASSETS	**$ 14,113,765**	**$ 3,209,986**	**$ 167,761**	**$ 17,491,512**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable	$ 249,231	$ -	$ 46,404	$ 295,635
Due to Other Funds	293,955	-	-	293,955
Accrued Salaries and Benefits	3,690,587	-	-	3,690,587
Payroll Deductions and Withholdings	13,288	-	-	13,288
TOTAL LIABILITIES	**$ 4,247,061**	**$ -**	**$ 46,404**	**$ 4,293,465**
DEFERRED INFLOWS OF RESOURCES:				
Delinquent Real Estate Taxes	$ 1,233,311	$ -	$ -	$ 1,233,311
TOTAL INFLOWS OF RESOURCES	**$ 1,233,311**	**$ -**	**$ -**	**$ 1,233,311**
FUND BALANCES:				
Nonspendable	$ 58,590	$ -	$ -	$ 58,590
Committed	5,114,368	-	-	5,114,368
Restricted	-	-	121,357	121,357
Assigned	23,011	3,209,986	-	3,232,997
Unassigned	3,437,424	-	-	3,437,424
TOTAL FUND BALANCES	**$ 8,633,393**	**$ 3,209,986**	**$ 121,357**	**$ 11,964,736**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 14,113,765**	**$ 3,209,986**	**$ 167,761**	**$ 17,491,512**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds		**$ 11,964,736**
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 as assets in governmental funds. The cost of assets is $86,634,171, and the accumulated depreciation is $40,724,927.		45,909,244
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pension		5,696,951
Deferred inflows of resources related to pension		(1,706,180)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to OPEB		1,557,251
Deferred inflows of resources related to OPEB		(2,512,379)
Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds.		1,420,230
Long term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Bonds and Notes Payable (Net)	$ 26,773,048	
Lease Payable	62,623	
Net Pension Liability	38,187,660	
Accrued Compensated Absences	2,021,608	
Net OPEB Liability	6,628,509	(73,673,448)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (Deficit)		**$ (11,343,595)**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	$ 22,389,651	$ 157,410	$ 17,772	$ 22,564,833
State Sources	16,540,028	-	-	16,540,028
Federal Sources	387,023	-	-	387,023
Total Revenue	**$ 39,316,702**	**$ 157,410**	**$ 17,772**	**$ 39,491,884**
EXPENDITURES				
Instruction	$ 21,674,350	$ -	$ -	$ 21,674,350
Support Services	11,852,325	-	1,300	11,853,625
Noninstructional Services	691,588	-	-	691,588
Capital Outlay	-	377,787	-	377,787
Debt Service	32,388	-	3,541,456	3,573,844
Total Expenditures	**$ 34,250,651**	**$ 377,787**	**$ 3,542,756**	**$ 38,171,194**
Excess (Deficiency) of Revenue over Expenditures	**$ 5,066,051**	**$ (220,377)**	**$ (3,524,984)**	**$ 1,320,690**
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	$ -	$ 400,000	$ 3,251,300	$ 3,651,300
Operating Transfers Out	(3,651,300)	-	-	(3,651,300)
Sale of Assets	900	-	-	900
Refund Prior Year Receipts	(25,317)	-	-	(25,317)
Total Other Financing Sources (Uses)	**$ (3,675,717)**	**$ 400,000**	**$ 3,251,300**	**$ (24,417)**
NET CHANGE IN FUND BALANCES	**$ 1,390,334**	**$ 179,623**	**$ (273,684)**	**$ 1,296,273**
FUND BALANCE - JULY 1, 2024	7,243,059	3,030,363	395,041	10,668,463
FUND BALANCE - JUNE 30, 2025	**$ 8,633,393**	**$ 3,209,986**	**$ 121,357**	**$ 11,964,736**

The accompanying notes are an integral part of these financial statements

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

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	**$ 1,296,273**
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 expense. This is the amount by which depreciation expense ($2,067,855) exceeded depreciation expense ($57,444) during the fiscal year.	(2,010,411)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	1,736,944
Repayment of bond, note, and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,575,886
Bond and note premiums are reported in governmental funds as revenues. However, in the statement of activities, this amount is capitalized and is accreted over the life of the bond issue as interest expense.	420
Because certain property and wage taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.	90,387
In the statement of activities, certain operating expenses - compensated absences and retiree benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences and retiree health benefits earned exceeded the amount paid.	(189,105)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	**$ 3,500,394**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
REVENUES				
Local Sources	$ 21,663,876	$ 21,711,086	$ 22,389,651	$ 678,565
State Sources	15,746,003	15,746,003	16,540,028	794,025
Federal Sources	349,775	349,775	387,023	37,248
Total Revenues	**$ 37,759,654**	**$ 37,806,864**	**$ 39,316,702**	**$ 1,509,838**
EXPENDITURES				
Regular Programs	$ 15,774,219	$ 15,736,582	$ 15,745,668	$ (9,086)
Special Programs	4,781,590	4,835,849	4,933,749	(97,900)
Vocational Programs	799,434	799,434	822,758	(23,324)
Other Instructional Programs	325,040	265,040	160,419	104,621
Nonpublic School Programs	1,358	1,358	11,756	(10,398)
Pupil Personnel Services	1,042,544	1,033,113	1,008,904	24,209
Instructional Staff Services	734,818	770,028	738,600	31,428
Administrative Services	2,696,491	2,689,513	2,676,724	12,789
Pupil Health	528,184	524,925	492,058	32,867
Business Services	602,552	603,557	591,292	12,265
Operation & Maintenance of Plant Services	3,552,075	3,566,362	3,665,676	(99,314)
Student Transportation Services	1,928,114	1,928,114	2,216,904	(288,790)
Central Services	357,733	396,533	368,775	27,758
Other Support Services	88,578	88,578	93,392	(4,814)
Student Activities	805,605	811,513	691,588	119,925
Debt Service	32,390	32,390	32,388	2
Total Expenditures	**$ 34,050,725**	**$ 34,082,889**	**$ 34,250,651**	**$ (167,762)**
Excess (Deficiency) of Revenues over Expenditures	**$ 3,708,929**	**$ 3,723,975**	**$ 5,066,051**	**$ 1,342,076**
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	$ (4,034,108)	$ (4,034,108)	$ (3,651,300)	$ (382,808)
Sale of Assets	-	-	900	(900)
Refund of Prior Year Receipts	-	(15,046)	(25,317)	10,271
Budgetary Reserve	(363,000)	(363,000)	-	(363,000)
Total Other Financing Sources (Uses)	**$ (4,397,108)**	**$ (4,412,154)**	**$ (3,675,717)**	**$ (736,437)**
NET CHANGE IN FUND BALANCES	**$ (688,179)**	**$ (688,179)**	**$ 1,390,334**	**$ 2,078,513**
FUND BALANCE - JULY 1, 2024	5,854,054	5,854,054	7,243,059	1,389,005
FUND BALANCE - JUNE 30, 2025	**$ 5,165,875**	**$ 5,165,875**	**$ 8,633,393**	**$ 3,467,518**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2025

	FOOD SERVICES
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 248,538
Due From Other Funds	290,955
Other Accounts Receivable	17,352
Inventories	16,482
TOTAL CURRENT ASSETS	**$ 573,327**
Noncurrent Assets:	
Furniture and Equipment (Net)	$ 93,394
TOTAL NONCURRENT ASSETS	**$ 93,394**
TOTAL ASSETS	**$ 666,721**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensoin	$ 116,264
Deferred Outflows Related to OPEB	4,478
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 120,742**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 787,463**
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 286
Unearned Revenue	35,442
TOTAL CURRENT LIABILITIES	**$ 35,728**
Noncurrent Liabilities:	
Net Pension Liability	$ 779,340
Net OPEB Liability	32,900
TOTAL NONCURRENT LIABILITIES	**$ 812,240**
TOTAL LIABILITIES	**$ 847,968**
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	$ 34,820
Deferred Inflows Related to OPEB	7,220
TOTAL DERERRED INFLOWS OF RESOURCES	**$ 42,040**
NET POSITION	
Net Investment in Capital Assets	$ 93,394
Unrestricted (Deficit)	(195,939)
TOTAL NET POSITION (Deficit)	**$ (102,545)**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 787,463**

The accompanying notes are an integral part of these financial statements

EXHIBIT I

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

		FOOD SERVICES
OPERATING REVENUES		
Food Service Revenue	$	531,534
Total Operating Revenues	**$**	**531,534**
OPERATING EXPENSES		
Salaries	$	289,816
Employee Benefits		156,233
Purchased Professional and Technical Services		5,210
Purchased Property Services		8,598
Other Purchased Services		533,579
Supplies		89,914
Depreciation		8,076
Total Operating Expenses	**$**	**1,091,426**
OPERATING INCOME/(LOSS)	**$**	**(559,892)**
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	$	4,777
State Sources		198,949
Federal Sources		403,161
Total Nonoperating Revenues (Expenses)	**$**	**606,887**
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	**$**	**46,995**
TRANSFERS		
Transfer from General Fund	$	-
Total Transfers	**$**	**-**
CHANGE IN NET POSITION	**$**	**46,995**
NET POSITION - JULY 1, 2024 - (Deficit)		(149,540)
NET POSITION - JUNE 30, 2025 (Deficit)	**$**	**(102,545)**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	FOOD SERVICES
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	$ 506,918
Cash Payments to Employees for Services	(382,620)
Cash Payments to Suppliers for Goods and Services	(530,078)
Net Cash Provided (Used) by Operating Activities	**$ (405,780)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	$ 198,949
Federal Sources	341,667
Net Cash Provided (Used) by Non-Capital Financing Activities	**$ 540,616**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Outlay	$ (48,853)
Net Cash Provided (Used) by Capital and Related Financing Activities	**$ (48,853)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	$ 4,777
Net Cash Provided (Used) by Investing Activities	**$ 4,777**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**$ 90,760**
CASH AND CASH EQUIVALENTS - JULY 1, 2024	157,778
CASH AND CASH EQUIVALENTS - JUNE 30, 2025	**$ 248,538**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	**$ (559,892)**
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation	8,076
Donated Commodities Used	61,493
(Increase) Decrease in Deferred Outflows of Resources	26,530
(Increase) Decrease in Accounts Receivable	(14,346)
(Increase) Decrease in Inventories	3,443
(Increase) Decrease in Due from Other Funds	148,070
Increase (Decrease) in Net Pension Liability	(47,220)
Increase (Decrease) in Net OPEB Liability	(600)
Increase (Decrease) in Deferred Inflows of Resources	(15,280)
Increase (Decrease) in Unearned Revenue	(15,840)
Increase (Decrease) in Accounts Payable	(214)
Total Adjustments	**$ 154,112**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (405,780)**

NONCASH NONCAPITAL FINANCING ACTIVITIES:
During the year, the District received $61,493 of food commodities from the U.S. Department of Agriculture

The accompanying notes are an integral part of these financial statements

EXHIBIT K

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	PRIVATE PURPOSE TRUST FUND	STUDENT ACTIVITY CUSTODIAL FUNDS
ASSETS		
Cash and Cash Equivalents	$ 109,258	$ 78,548
TOTAL ASSETS	**$ 109,258**	**$ 78,548**
LIABILITIES AND NET POSITION		
LIABILITIES:		
Other Current Liabilities	$ -	$ -
TOTAL LIABILITIES	**$ -**	**$ -**
NET POSITION:		
Unrestricted	$ 109,258	$ 78,548
TOTAL NET POSITION	**$ 109,258**	**$ 78,548**
TOTAL LIABILITIES AND NET POSITION	**$ 109,258**	**$ 78,548**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	PRIVATE PURPOSE TRUST FUND	STUDENT ACTIVITY CUSTODIAL FUNDS
ADDITIONS		
Interest	$ 3,763	$ 3,353
Student Club Organization Receipts	-	320,597
TOTAL ADDITIONS	**$ 3,763**	**$ 323,950**
DEDUCTIONS		
Scholarships Awarded	$ 1,000	$ -
Student Club Organization Disbursements	-	320,962
TOTAL DEDUCTIONS	**$ 1,000**	**$ 320,962**
CHANGE IN NET POSITION	**$ 2,763**	**$ 2,988**
NET POSITION - JULY 1, 2024	106,495	75,560
NET POSITION - JUNE 30, 2025	**$ 109,258**	**$ 78,548**

The accompanying notes are an integral part of these financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Freeport Area School District was established under the authority of an act of the state legislature that designated a school board as the governing body. The School District is located in the southwestern part of Armstrong and the southeastern part of Butler Counties. This District serves the surrounding municipalities that include South Buffalo Township and Freeport Borough in Armstrong County and Buffalo Township in Butler County. Approximately 55% of the land area is located in Armstrong County. The School District operates under a locally elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Directors has complete authority over the operations and administration of the School District's activities. The School District owns and operates two elementary school buildings, one middle school building, and one senior high school building for its total enrollment of approximately 1,900 students in grades Kindergarten through12th grade.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Freeport Area School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. Generally accepted accounting principles define component units as legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationship with the School District. Based on the application of these criteria, the Freeport Area School District has no component units.

The School District is associated with two jointly governed organizations (Note 13) and two public entity risk pools (Note 14). These organizations are:

- Jointly Governed Organizations:
  - Lenape Area Vocational Technical School
  - ARIN Intermediate Unit 28

- Public Entity Risk Pools:
  - Armstrong-Indiana Insurance Trust
  - Educators Dental Consortium

The financial statements of the Freeport Area School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the School District's accounting policies are as follows:

FINANCIAL STATEMENT PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibits D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

FUND FINANCIAL STATEMENTS – Fund financial statements report detailed information about the School District. Under generally accepted accounting standards, the focus of the fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Freeport Area School District, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds, if any, would be segregated and presented in a single column. Fiduciary funds are reported by fund type.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as part of federal source revenue.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Freeport Area School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2025 under the modified accrual basis are **1)** Act 511 taxes collected by the district within 60 days following the close of the fiscal year, **2)** federal and state subsidies earned in the fiscal year 2024-2025, and **3)** other miscellaneous revenues earned in fiscal year 2024-2025 but received subsequent to June 30, 2025. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2025, are those which the Board of Education's intention was to expense these items as budgeted for the 2024-2025 official budget, and for which the District has incurred an obligation, but has not paid as of June 30, 2025.

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

FUND ACCOUNTING

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. A description of the School District's major and non-major governmental funds is as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING (Continued)

MAJOR GOVERNMENTAL FUNDS:

GENERAL FUND - The General Fund is used to account for all financial resources not required to be accounted for in some other fund. The General Fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

CAPITAL PROJECTS FUND - The Capital Projects Fund accounts for financial resources used for the acquisition or construction of capital assets, as deemed necessary by the Board of Education.

NON-MAJOR GOVERNMENTAL FUND:

DEBT SERVICE FUND - The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds – The Proprietary Fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the School District (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund, which accounts for the financial transactions related to the food service operations of the District.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Custodial Funds report fiduciary activities that are not held in a Trust or equivalent arrangement that meets specific criteria. The School District maintains one private-purpose trust fund. The private-purpose trust fund accounts for student scholarships and is funded through the Slivan Memorial Scholarship Fund. The School District also reports one student activity custodial fund to account for various student organization activity accounts administered by the District on behalf of the various student organizations.

BUDGETS

On June 12, 2024, the Freeport Area School District adopted its fiscal year June 30, 2025 annual budget for the General Fund totaling $38,447,833 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual basis of accounting in accordance with generally accepted accounting principles. The original and final budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the General Fund lapse at year-end.

The School District uses the following procedures in establishing this budgetary data:

a. Prior to May of the preceding fiscal year, the school district prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the revenues and other sources of funds used to finance these expenditures.
b. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
c. A meeting of the Board of Education is then held for the purpose of adopting the proposed budget. The meeting may only be held after 10 days of public notification.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETS (Continued)

d. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
e. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.
f. Budgetary transfers are permitted after the first 90 days of the school district's fiscal year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months.

INVESTMENTS

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, Freeport Area School District is permitted to invest funds consistent with sound business practices in the following types of investments:

I. 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) of 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.

II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) 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, is pledged by the depository.

III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Freeport Area School District include deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Investments are reported at fair value.

There were no deposit and investment transactions during the year that were in violation of state statues.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental inter-fund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORIES

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies but rather records these items as an expenditure in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at estimated fair value at the time of receipt. The School District maintains a capitalization threshold of $5,000. Management has elected to include certain homogeneous asset categories with individual assets less than $5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. The intangible right-to-use assets are initially measured at an amount equal to the present value of future lease payments. The intangible right-to-use assets are amortized on a straight-line basis over the life of the related assets. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

CATEGORY	USEFUL LIFE
Buildings	40
Land Improvements	15
Furniture	20
Vehicles (Under 13,000 lbs)	8
Information Systems (computers and peripherals)	5
Data Handling Equipment	10
Textbooks	7
Library/workbooks	7
Telephone System	10
Music	10
Band Uniforms	10
Video/Cameras	10
Right-To-Use-Assets	5

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS AND DEPRECIATION (Continued)

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

LONG-TERM DEBT FINANCING COSTS

Bond and note issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur bond or note issuance costs during the 2024-2025 fiscal year.

COMPENSATED ABSENCES

Compensated Absences are granted to employees and accumulated in accordance with contractual and other legal requirements as follows:

- Unused vacation amounts are estimated based on estimated daily rates per unused day for various employee groups within the School District

- Sick leave is granted as appropriate (medical evidence required) with budgetary provision being made annually for the estimated cost of substitute personnel. Contractual provisions with professional employees require payment of $2,000 severance pay for employees retiring with 20 years credited service, 15 years of which are in the Freeport Area School District, plus $60 per day of accumulated sick leave. In addition, nonprofessional employees are entitled to severance pay for unused sick days computed as follows:

  1.) Employees retiring who have worked between 15 to 19 years in the District shall receive severance pay at $25 per day of accumulated sick days, to a maximum of 150 days.

  2.) Employees retiring who have worked between 20 and 24 years in the District shall receive severance pay at $30 per day of accumulated sick days, to a maximum of 150 days.

  3.) Employees retiring who have worked between 25 and 29 years in the District shall receive severance pay at $35 per day of accumulated sick days, to a maximum of 150 days.

  4.) Employees retiring who have worked 30 years or more in the District shall receive severance pay at $40 per day of accumulated sick days, to a maximum of 150 days.

  5.) Employees with a minimum of 15 years of continuous service in the District may elect to leave the severance pay with the employer to be used to purchase individual health care insurance to the maximum of the severance pay as described above. Such health care insurance coverage paid from severance pay shall commenced from the date of retirement and will continue until they qualify for Medicare or death or until complete use of the severance pay for premium payments, whichever event occurs first.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES (Continued)

The School District incurs a liability for compensated absences which meet the following criteria:

1.) The School District's obligation relating to employees' rights to receive compensation for future absences is attributable to employee's services already rendered.
2.) The obligation relates to rights that vest or accumulate.
3.) Payment of the compensation is probable.
4.) The amount can be reasonably estimated.

Teachers do not receive paid vacations but are paid only for the number of days they are required to work each year (for 2024-2025 teacher workdays could not exceed 188 days).

Other full-time employees (administrators, secretarial, custodial, etc.) are granted vacation leave in varying amounts. In the event of termination an employee is reimbursed for any unused accumulated leave. Vacation pay is charged to operations when taken by the employees of the district.

In accordance with the above criteria the School District has accrued a liability for compensated absences which has been earned but not taken by School District employees.

At June 30, 2025, the liability for compensated absences, including benefits, for unused leaves to present employees is as follows:

Vacation Pay	$	145,915
Sick Leave		1,151,043
Estimated Sabbaticals		724,650
	$	**2,021,608**

Compensated absences as of June 30, 2025 have been calculated in accordance with applicable GASB Statements.

PENSIONS

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 10.

OTHER POSTEMPLOYMENT BENEFITS

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 11.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund financial statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

UNEARNED REVENUE

Unearned revenue arises when the District receives resources before it has a legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed, and revenue is recognized.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has two items that qualify for reporting in this category. They deferred outflows related to the School District's pension and OPEB plans, reported on the statement of net position (Exhibit A).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The School District has three items that qualify for reporting in this category. They are delinquent real estate taxes reported on the governmental funds balance sheet (Exhibit C), and deferred inflows related to the School District's pension and OPEB plans, reported on the statement of net position (Exhibit A).

NET POSITION

Net position is classified into three categories according to the external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. Restricted net position represents $121,357 in funds to be used for District debt service obligations.

- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'. The District maintained a deficit unrestricted net position of $33,944,450 as of June 30, 2025.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

FUND EQUITY

In the Balance Sheet – Governmental Funds (Exhibit C) fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54*, Fund Balance Reporting and Governmental Fund Type Definitions*.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact. The non-spendable fund balance of $58,590 represents inventory as of June 30, 2025.

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Restricted fund balance represents $121,357 in funds to be used for District debt service obligations.

- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint. At June 30, 2025, management of the Freeport Area School District committed $5,114,638 of the General Fund balance for the purpose of deferred maintenance to district buildings and equipment ($2,014,368), future retirement costs ($1,000,000), accumulated post- employment benefits ($1,000,000), and rising medical costs ($1,100,000).

- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2025, management of the Freeport Area School District assigned $23,011 of the General Fund balance for student athletic activities.

- Unassigned fund balance – amounts that are available for any purpose

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY (Continued)

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or 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. The Board of Education has given authority to assign fund balance to the Business Manager.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts.

Section 688 of the Pennsylvania Pubic School Code prohibits school districts from increasing real property taxes beyond the annual index increase permitted by law, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Freeport Area School District, estimated ending unassigned fund balance must not exceed 8.0% of total budgeted expenditures.

ESTIMATES

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

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Freeport Area School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are comprised of **1)** interest earnings and **2)** state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture. The District did not have non-operating expenses during the fiscal year.

ADOPTION OF GASB PRONOUNCEMENTS

The requirements of the following GASB Statements were adopted for the School District's 2024-2025 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on Freeport Area School District's financial statements.

- **GASB issued Statement No. 101**, *'Compensated Absences'.*
- **GASB issued Statement No. 102**, '*Certain Risk Disclosures'.*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PENDING GASB PRONOUNCEMENTS

- **GASB issued Statement No. 103**, '*Financial Reporting Model Improvements'.* The provisions of this statement are effective for the School's June 30, 2026 financial statements.

- **GASB issued Statement No. 104**, *'Disclosure of Certain Capital Assets'.* The provisions of this statement are effective for the School's June 30, 2026 financial statements.

The effects of implementing these statements on the School District's financial statements have not yet been determined.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS

At June 30, 2025, the Freeport Area School District had the following carrying values on its cash and cash equivalents accounts:

	Bank Balance	Carrying Value
General Fund - Checking	$ 10,099,406	$ 9,975,869
Capital Projects Fund	50,778	50,778
Proprietary Fund	248,670	248,538
Fiduciary Funds	191,720	187,806
	$ 10,590,574	**$ 10,462,991**

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit, outstanding checks, and petty cash. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is $250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy complies with Section 440.1 of the Public School Code of 1949 with the primary objectives being safety, liquidity and yield. As of June 30, 2025, $10,340,574 of the School District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. The District's investment policy requires a written safekeeping agreement and/or Act 72 agreement with each financial institution acting as depository. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of $250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

The following is a summary of the Freeport Area School District's investments as of June 30, 2025:

	Value at 6/30/25	S&P Rating
PLGIT	$ 4,530,553	AAAm
PSDLAF	28,908	AAAm
	$ 4,559,461	

The purpose of the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a) 7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of $1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares. The District can withdraw funds from the external investment pool without limitation or fees upon adequate notice. Copies of the PLGIT annual report can be obtained by contacting their website of www.plgit.com.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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's investments in PLGIT and PSDLAF are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal investment policy, in addition to the requirements of the PA School Code, that limits investment choices based on credit ratings by nationally recognized rating organizations. The District does not have a policy that would limit its investment choices to those with certain credit ratings.

Interest Rate Risk:

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk:

The District places no limit on the amount it may invest in any one issuer.

Fair Value Measurements:

The Freeport Area School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. Generally accepted accounting standards provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

- Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.

- Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments held in external investment pools such as PSDLAF and PLGIT are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

NOTE 3 - PROPERTY TAXES

The Freeport Area School District levies property taxes on July 1 of each fiscal year. The tax millage assessment for the 2024-2025 fiscal year was 61.83 for Armstrong County (Freeport Borough and South Buffalo Township) and 176.37 for Butler County (Buffalo Township), which represents $61.83 and $176.37 respectively of revenue for every $1,000 of assessed property value.

Taxpayers are entitled to a 2% discount if taxes are paid prior to October 1st. Collections beginning December 1st are assessed a 10% penalty. Unpaid taxes are submitted to the District's county tax claim bureau. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15th of the year following levy.

A summary of the collection percentage by municipality is as follows:

MUNICIPALITY	FACE AMOUNT LEVIED	FACE AMOUNT COLLECTED	PERCENT OF LEVY COLLECTED
Buffalo Township	$ 14,026,958	$ 13,788,184	98.3%
Freeport Borough	1,000,261	875,927	87.6%
South Buffalo Township	3,544,280	3,387,087	95.6%
	$ 18,571,499	**$ 18,051,198**	**97.2%**

The total amount of the levy returned to the County Tax Claim Bureau was $520,301 which is 2.8% of the total amount levied for tax year 2024-2025.

Taxes receivable as shown in the government-wide statement of net position includes delinquent property taxes of $1,330,522. For purposes of the governmental fund financial statements, $1,233,311 of the delinquent property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off set as a credit to deferred inflow of resources in the fund financial statements. The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

NOTE 3 - PROPERTY TAXES (Continued)

Taxes receivable is comprised of the following at June 30, 2025:

	GOVERNMENTAL ACTIVITIES	GOVERNMENTAL FUNDS
Delinquent Real Estate (60 Days)	$ 97,211	$ 97,211
Delinquent Real Estate (Prior Years)	1,233,311	1,233,311
EIT	9,045	9,045
LST	187,081	162
Deed Transfer Taxes	30,003	30,003
	$ 1,556,651	**$ 1,369,732**

NOTE 4 – DUE FROM OTHER GOVERNMENTS

The amount of 'due from other governments', as reflected on the government-wide statement of net position and the governmental funds balance sheet, is comprised of the following:

	Governmental Activities
Commonwealth of Pennsylvania:	
State Subsidies	$ 1,271,168
Federal Pass-Through Grants	132,084
Other Intergovernmental Receivables	16,947
	$ 1,420,199

NOTE 5 – UNEARNED REVENUE

Unearned revenue totaling $35,442, as reflected on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H), is comprised of $31,288 paid on student accounts and $4,154 of donated commodities inventory of the District's Food Service Fund.

NOTE 6 – OTHER ACCOUNTS RECEIVABLE

The amount of 'other accounts receivable' totaling $71,235 as reflected on the government-wide statement of net position (Exhibit A), is comprised of $17,352 due on student accounts and $53,883 miscellaneous revenues due from various sources.

NOTE 7 – INTER-FUND TRANSFERS AND OBLIGATIONS

At June 30, 2025 the General Fund owed the Cafeteria Fund $290,955 for National School Lunch/Breakfast subsidies. Inter-fund obligations between governmental activities and business-type activities are shown net on the statement of net position as part of the line-item 'internal balances'.

During the fiscal year 2024-2025, the General Fund transferred $3,251,300 to the Debt Service Fund for payment of District debt and $400,000 to the Capital Projects Fund for future capital projects.

NOTE 8 - CAPITAL ASSETS

A summary of the governmental fixed asset activity for the 2024-2025 fiscal year was as follows:

	Balance 7/1/2024	Additions	Adjustments/ Deductions	Balance 6/30/2025
Governmental Activities:				
Capital Assets, not being depreciated				
Land	$ 823,039	$ -	$ -	$ 823,039
Construction in Progress	2,058,438	-	2,058,438	-
Total Capital Assets, not being depreciated	**$ 2,881,477**	**$ -**	**$ 2,058,438**	**$ 823,039**
Capital Assets, being depreciated				
Land Improvements	$ 10,506,903	$ -	$ (111,025)	$ 10,617,928
Building and Improvements	62,624,751	2,058,438	514,099	64,169,090
Furniture and Equipment	9,736,958	438,684	(709,398)	10,885,040
Intangible Right-To-Use Asset	139,074	-	-	139,074
Total Capital Assets, being depreciated	**$ 83,007,688**	**$ 2,497,122**	**$ (306,324)**	**$ 85,811,132**
Less: Accumulated depreciation				
Land Improvements	$ (7,925,461)	$ (358,642)	$ -	$ (8,284,103)
Building and Improvements	(20,569,762)	(1,581,870)	(1,435)	(22,150,197)
Furniture and Equipment	(9,418,654)	(99,528)	689,005	(10,207,184)
Intangible Right-To-Use Asset	(55,629)	(27,815)	-	(83,444)
Total Accumulated Depreciation	**$ (37,969,508)**	**$ (2,067,855)**	**$ 687,570**	**$ (40,724,927)**
Governmental Activities Capital Assets, Net	**$ 47,919,657**	**$ 429,267**	**$ 2,439,684**	**$ 45,909,244**

	Balance 7/1/2024	Additions	Deductions	Balance 6/30/2025
Business-Type Activities:				
Capital Assets, being depreciated				
Furniture and Equipment	$ 784,882	$ 48,853	$ -	$ 833,735
Less: Accumulated Depreciation	(732,265)	(8,076)	-	(740,341)
Business-Type Activities Capital Assets, Net	**$ 52,617**	**$ 40,777**	**$ -**	**$ 93,394**

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 1,458,162
Instructional Student Support	158,335
Administrative and Financial Support Services	262,028
Operation and Maintenance of Plant Services	150,142
Student Activities	39,188
	$ 2,067,855

NOTE 9 - LONG-TERM LIABILITIES

GENERAL OBLIGATION NOTE – SERIES OF 2014

On August 14, 2014, the Freeport Area School District entered into a loan agreement with the Emmaus General Authority/PLGIT Bond Pool Program in the amount of $20,300,000 for the purpose of **(1)** paying the costs of planning, designing, and constructing a new middle school, 629 South Pike Road, Sarver, PA 16055, and **(2)** paying the costs of issuing the Note. The Note shall bear interest from its date of issuance on the unpaid principal amount thereof at a variable rate provided in the Liquidity Facility Agreement, but in no event shall such variable rate exceed the maximum rate of 25% per annum. The note is scheduled to mature on February 1, 2028.

NOTE 9 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATION NOTE – SERIES A OF 2014

On December 18, 2014, the Freeport Area School District entered into a loan agreement with the Emmaus General Authority/PLGIT Bond Pool Program in the amount of $5,900,000 for the purpose of **1)** financing a portion of the costs of planning, designing, and constructing a new middle school as referenced above, and **2)** paying the costs of issuing the note. The Note shall bear interest from its date of issuance on the unpaid principal amount thereof at a variable rate provided in the Liquidity Facility Agreement, but in no event shall such variable rate exceed the maximum rate of 25% per annum. The note is scheduled to mature on February 1, 2030.

GENERAL OBLIGATION NOTE – SERIES OF 2022

On November 10, 2022, the Freeport Area School District entered into a loan agreement with Webster Public Finance Corporation in the amount of $3,090,000 for the purpose of **1)** funding phases 1 and 2 of the high school renovation project, specifically upgrades to the electrical system and a new boiler system, **2)** funding the high school science wing masonry repairs, and **3)** paying the costs of issuing the Note. The interest rate on the note is 4.84% and the note is scheduled to mature on October 1, 2037.

DEFAULT PROVISIONS – GENERAL OBLIGATION NOTES

Whenever an Agreement Default of which the Trustee has actual knowledge shall have happened and be continuing, the Trustee, as assignee of the Issuer, may, with the written consent of the Credit Facility Provider, and shall, at the written direction of the Credit Facility Provider, but subject in all cases to the provisions of the Indenture, take any action permitted or required pursuant to the Indenture and take one or more of the following remedial steps: **1)** declare all repayments and all other amounts due to be immediately due and payable, and upon notice to the School District the same shall become immediately due and payable by the School District without further notice or demand or **2)** take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement, or covenant of the School District. In addition, if an Agreement Default shall have occurred all repayments and all other amounts due shall be immediately due and payable, without further notice or demand.

GENERAL OBLIGATION BONDS – SERIES OF 2015

On February 3, 2015, the Freeport Area School District issued General Obligation Bonds - Series of 2015 totaling $9,995,000. The purpose of the bond issue is to **(1)** pay a portion of the costs of acquiring and constructing additions, alterations, and renovations which constitute the Freeport Area School District Middle School and adjoining athletic facilities, and **(2)** pay the costs associated with issuing the bonds. Interest rates range between .650% and 3.050% with the bonds scheduled to mature on February 1, 2033. The bonds provide for early redemption options for the School District for those bonds maturing on or after February 1, 2024 as stated fully in the official statement.

GENERAL OBLIGATION BONDS – SERIES OF 2020

On May 18, 2020, the Freeport Area School District issued General Obligation Bonds - Series of 2020 totaling $9,985,000. The purpose of the bond issue is to **(1)** refund a portion of the School District's General Obligation Bonds – Series of 2015, and **(2)** pay the costs associated with issuing the bonds. Interest rates range between 1.40% and 2.0% with the bonds scheduled to mature on October 31, 2032. The bonds provide for early redemption options for the School District for those bonds maturing on or after October 1, 2026 as stated fully in the official statement.

NOTE 9 - LONG-TERM LIABILITIES (Continued)

DEFAULT PROVISIONS – GENERAL OBLIGATION BONDS

The Bonds are payable from tax and other general revenues of the School District. The School District has covenanted that it will provide in its budget in each fiscal year, and will appropriate from its general revenues in each such fiscal year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from funds in the sinking fund established in the Resolution or from any other of its revenues or funds the principal of and interest on every Bond, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power subject to the limitations of bankruptcy, insolvency, and other laws or equitable principles affecting creditor rights generally.

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by Act 85 of 2016. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgement shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies herein before described.

A summary of the Freeport Area School District's general obligation notes and bonds outstanding at June 30, 2025 is as follows:

	SERIES				
YEAR END JUNE 30,	2014 PRINCIPAL	2014A PRINCIPAL	2015 PRINCIPAL	2020 PRINCIPAL	2022 PRINCIPAL
2026	$ 2,560,000	$ 5,000	$ 35,000	$ 50,000	$ 5,000
2027	2,665,000	5,000	35,000	55,000	5,000
2028	2,775,000	5,000	35,000	55,000	5,000
2029	-	2,855,000	5,000	5,000	5,000
2030	-	2,975,000	5,000	5,000	5,000
2031-2035	-	-	60,000	9,495,000	1,146,000
2036-2038	-	-	-	-	1,914,000
	$ 8,000,000	**$ 5,845,000**	**$ 175,000**	**$ 9,665,000**	**$ 3,085,000**

YEAR END JUNE 30,	INTEREST	TOTAL
2026	$ 700,741	$ 3,355,741
2027	642,594	3,407,594
2028	585,068	3,460,068
2029	507,410	3,377,410
2030	391,151	3,381,151
2031-2035	1,328,450	12,029,450
2036-2038	141,860	2,055,860
	$ 4,297,274	**$ 31,067,274**

NOTE 9 - LONG-TERM LIABILITIES (Continued)

LEASE AGREEMENT

In May of 2022, the Freeport Area School District entered into a financing lease agreement for copier equipment with De Lage Landen Public Finance, LLC. The terms of the lease call for 60 monthly payments of $2,699 beginning in July of 2023. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of the inception. For purposes of discounting future payments, the School District determined an interest rate of 3.0% to be an appropriate discount rate. An initial lease lability was recorded in the amount of $139,074.

DEFAULT PROVISIONS – LEASE AGREEMENT

Upon the occurrence of an event of default, lessor may do any or all of the following: **1)** Cancel the agreement and require payment of the unpaid balance of the agreement, including any future payments to the end of the term plus the anticipated residual value of the equipment; **2)** Recover default interest on any unpaid amount; **3)** Use any remedies available under the UCC and any other law and may require discontinuation of the usage of the equipment; and **4)** In the event that equipment is repossessed, the lessee would be required to pay the associated costs of repossession.

A summary of the Freeport Area School District's lease outstanding at June 30, 2025 is as follows:

YEAR END JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2026	$ 29,466	$ 2,922	$ 32,388
2027	33,157	-	33,157
	$ 62,623	**$ 2,922**	**$ 65,545**

The following represents the changes in the district's governmental and business-type activities long-term liabilities during the 2024-2025 fiscal year:

	Balance 7/1/2024	Additions	Reductions	Balance 6/30/2025	Due Within One Year
Governmental Activities:					
General Obligation Notes	$ 19,400,000	$ -	$ 2,470,000	$ 16,930,000	$ 2,570,000
General Obligation Bonds	9,920,000	-	80,000	9,840,000	85,000
Lease Agreement	88,509	-	25,886	62,623	29,466
Compensated Absences	1,911,764	109,844	-	2,021,608	-
Net Pension Liability	40,501,440	-	2,313,780	38,187,660	-
Net OPEB Liability	5,846,113	811,796	29,400	6,628,509	-
	$ 77,667,826	**$ 921,640**	**$ 4,919,066**	**$ 73,670,400**	**$ 2,684,466**

	Balance 7/1/2024	Additions	Reductions	Balance 6/30/2025	Due Within One Year
Business-Type Activities:					
Net Pension Liability	$ 826,560	$ -	$ 47,220	$ 779,340	$ -
Net OPEB Liability	33,500	-	600	32,900	-
	$ 860,060	**$ -**	**$ 47,820**	**$ 812,240**	**$ -**

NOTE 10 - PENSION PLAN

The Freeport Area School District participates in the Public-School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

Plan Description

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

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 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.

NOTE 10 – PENSION PLAN (Continued)

Benefits Provided (Continued)

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

Contributions

Member Contributions:

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

Member Contribution Rates				
Membership Class	**Continuous Employment Since**	**Defined Benefit (DB) Contribution Rate**	**DC Contribution Rate**	**Total Contribution Rate**
T-C	Prior to July 22, 1983	5.25%	N/A	5.25% / 6.25%
T-C	On or After July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21-7.50% After 7/1/21-8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21-10.30% After 7/1/21-10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21-8.25% After 7/1/21-9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21-7.50% After 7/1/21-8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

NOTE 10 – PENSION PLAN (Continued)

Member Contributions: (Continued)

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

Employer Contributions:

The school district's contractually required contribution rate for the fiscal year ended June 30, 2025 was 32.92%* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $4,907,215 for the year ended June 30, 2025.

*The defined contribution rate of 0.35% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution plan. This may impact contributions made to the pension plan.

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

At June 30, 2025, the School District reported a liability of $38,967,000 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 School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2025 the School District's proportion was .0931% which was an increase of .0005% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the School District recognized pension expense of $3,166,621. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 645,000	$ 613,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	-
Changes in proportion	261,000	1,128,000
Contributions subsequent to the measurement date	4,907,215	-
	$ 5,813,215	**$ 1,741,000**

NOTE 10 – PENSION PLAN (Continued)

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

The $4,907,215 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ended June 30, 2025.

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

Measurement Date Year ended June 30,	Reporting Date Year ended June 30,	Amortization Amount
2025	2026	$ (1,380,000)
2026	2027	482,000
2027	2028	193,000
2028	2029	(130,000)

Changes in 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 % of pay.
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023 and as of June 30, 2024.
- 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% to 4.50%
    - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively.
    - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

NOTE 10 – PENSION PLAN (Continued)

Changes in Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.0%	4.80%
Private equity	12.0%	6.70%
Fixed Income	33.5%	3.90%
Commodities	5.0%	2.50%
Infrastructure	10.0%	6.40%
Real estate	9.5%	5.90%
	100%	

The above table 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.

Discount Rate

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

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate

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

NOTE 10 – PENSION PLAN (Continued)

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate (Continued)

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
School District's proportionate share of the net pension liability	$ 51,331,000	$ 38,967,000	$ 28,526,000

Pension plan fiduciary net position

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

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

General Information about the Health Insurance Premium Assistance Program

PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System (PSERS) can participate in the Premium Assistance program if they satisfy the following criteria:

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

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

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

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)

Plan Description

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

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 coverage through either their school employer or PSERS' Health Options Program.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% 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 $92,923 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of $1,645,000 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, 2025 the District's proportion was 0.0926%, which is the same from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, Freeport Area School District recognized OPEB expense of $37,392. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,000	$ 25,000
Changes in assumptions	100,000	251,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportion	24,000	85,000
Contributions subsequent to the measurement date	92,923	-
	$ 223,923	**$ 361,000**

The $92,923 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Date Year ended June 30,	Reporting Date Year ended June 30,	Amortization Amount
2025	2026	$ (56,000)
2026	2027	(67,000)
2027	2028	(75,000)
2028	2029	(26,000)
2029	2030	(6,000)
Thereafter	Thereafter	-

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 % of pay.
- Investment Return – 4.21% based on the S&P 20 Year Municipal Bond Rate.
- Salary Growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)

Actuarial Assumptions (Continued)

- Mortality rates were based a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short-term assets designed to protect the principal of 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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	1.70%
	100.0%	

The above table 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.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.21%. 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% 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 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 net OPEB liability for June 30, 2024, calculated using current Healthcare cost trends as well as what the District net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	$ 1,645,000	$ 1,645,000	$ 1,645,000

Sensitivity of the 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%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.21%) or 1-percentage-point higher (4.21%) than the current rate:

	1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
Net OPEB Liability	$ 1,858,000	$ 1,645,000	$ 1,466,000

OPEB plan fiduciary net position

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

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN

Plan Description

The Freeport Area School District administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides for post-employment health care benefits to all eligible employees per the terms of the District's collective bargaining agreement with the Freeport Area Education Association.

To be eligible, teachers and administrators must have fifteen (15) years of credit eligibility in the retirement system or under Act 110/43 and support staff is eligible under Act 110/43. The program was established under the Early Retirement Incentive Program provided by The Freeport Area School District Board of Directors. The program entitles eligible employees to various health care benefits during the period between retirement and attaining Medicare age. The Plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

Funding Policy

The contribution requirements of plan members and the School District are established and may be amended by the Freeport Area Board of Directors. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to eligible participants. For teachers and administrators, the District's paid coverage for retirees continues until age 65, death, or qualification for Medicare if earlier, for a maximum of 120 continuous months from the date of retirement.

During the District's paid coverage period, the retiree is required to remit the PSERS premium assistance amount to the District.

Participant Data and Total OPEB Liability

The District's total OPEB liability of $5,016,409 was measured as of July 1, 2024, and was determined by an actuarial valuation performed as of July 1, 2024. The July 1, 2024 valuation reflected the following participant data:

	PARTICIPANT DATA	TOTAL OPEB LIABILITY
Active employees	159	$ 4,465,492
Retirees	8	550,917
Total	**167**	**$ 5,016,409**

Changes in the Total OPEB Liability

Balance at July 1, 2024	$ 4,204,613
Changes for the year:	
Service cost	181,006
Interest	173,651
Changes of benefit terms	-
Differences between expected and actual experience	634,584
Changes in assumptions or other inputs	(41,705)
Benefit payments	(135,740)
Net Changes	811,796
Balance at June 30, 2025	**$ 5,016,409**

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)

OPEB Expense for the fiscal year ended June 30, 2025

Service cost	$	181,006
Interest		173,651
Changes of benefit terms		-
Differences between expected and actual experience		(57,430)
Changes of assumptions of other inputs		(41,570)
Benfit Payments		-
OPEB Expense	**$**	**255,657**

Other Actuarial Assumptions

- Cost Method – Entry Age Normal as a Level Percentage of Pay.
- Mortality – Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2021.
- Discount Rate – 4.29% based on the S & P Municipal Bond 20 Year High Grade Rate Index.
- Inflation Rate – 3%
- Salary Increases – 2.5%
- Healthcare Trend – 2025-2026 fiscal year 7.50% decreasing on a graduated basis to 4.5% for fiscal years 2034-2035 and later.
- Percent Married – Actual spouse information was utilized for current retirees. For the active population, it was assumed that 20% of teachers and administrators and 10% of support staff will elect to cover a spouse at retirement. Females are assumed to be three years younger than males.
- Participation – It is assumed that 100% of teachers and administrators who are eligible for the incentive will elect coverage. It is assumed that 25% of the members who retire after 55 and are only eligible for Act 110/43 will elect coverage. It is assumed that 10% of support staff who are 55 or older and meet the Act 110/43 requirements will elect coverage.
- Withdrawal Rates – Based off the "2016 Experience Study Report" for the Pennsylvania PSERS. The rates vary by age, gender, and years of service.
- Retirement Rates – Varying scale from 5% at age 55-57 to 100% at age 65.
- Aging Factors – Rates vary by age.
- Disability – None assumed.

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

For the year ended June 30, 2025, Freeport Area School District recognized OPEB expense of $171,870. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 589,921	$ 1,075,463
Changes in assumptions or other inputs	626,498	1,083,136
Benefit payments subsequent to the measurement date	121,387	-
	$ 1,337,806	**$ 2,158,599**

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The $121,387 amount reported as deferred outflows of resources resulting from the District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Date Year ended June 30,	Reporting Date Year ended June 30,	Amortization Amount
2025	2026	$ (99,000)
2026	2027	(99,000)
2027	2028	(99,000)
2028	2029	(99,000)
2029	2030	(99,000)
Thereafter	Thereafter	(447,180)

Sensitivity of the total OPEB liability to changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 4.29%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.29%) or 1-percentage-point higher (5.29%) than the current rate:

	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
Total OPEB Liability	$ 5,599,270	$ 5,016,409	$ 4,498,325

Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 4,514,016	$ 5,016,409	$ 5,607,476

NOTE 12 - EARLY RETIREMENT INCENTIVE PLAN

The Board of School Directors has agreed to continue its "Early Retirement Incentive Plan" (ERIP) for all full-time professional employees with a retirement date effective July 1, 2021 through June 26, 2026.

1) Eligibility for the ERIP shall be as follows:

    - The professional employee must be on Step 15 of the salary scale in the collective Bargaining Agreement (CBA) of August 23, 2021.

    - The professional employee must submit a letter of retirement to the Superintendent of Schools no later than April 1, in the year of retirement, to be effective by June 30, for the same year; and no later than November 1, in the year of retirement, to be effective by the end of the first semester.

    - A professional employee who qualifies and has filed for permanent disability retirement under the PSERS shall not be eligible for the ERIP.

    - Eligible professional employees must retire from the PSERS on or before June 30, in the year of retirement, and submit copies of all necessary documents to the Superintendent of Schools prior to June 30, in the year of retirement.

    - The Freeport Area School District reserves the right to revise, rescind and/or modify the eligibility requirements stated herein in the event of amendments to the retirement provisions of PSERS.

2) The eligible professional employee who elects to participate in the ERIP shall receive the following:

    - As a sum of $417 per month for sixty (60) continuous months for a maximum of $25,000 to be paid beginning in July in the year of retirement as a non-elective contribution to a 403 (b) plan, with no cash option. The professional employee must retire before or in the year they first attain superannuation, or up to one year later, as currently defined by PSERS in order to be eligible to receive the aforementioned monies.

    - A maximum credit of $500 per month to be applied toward payment of the premium for new retirees who qualify, at the employee's current coverage under the Freeport Area School District's Health Care Plan.

    - The professional employee will pay to Freeport Area School district the full amount of the PSERS health care reimbursement for which they are eligible to receive.

    - The maximum credit of $500 per month shall be payable during the life of the retiree up to age 65 or they become eligible for Medicare, whichever occurs first.

    - The maximum credit of $500 per month shall not exceed a period of one hundred and twenty (120) continuous months from the date of retirement.

    - Retirees currently eligible for health insurance benefits must enroll in the current Freeport Area School District health care plan provided to active employees, said enrollment to continue through the remainder of their eligibility to receive health insurance benefits.

NOTE 12 - EARLY RETIREMENT INCENTIVE PLAN (Continued)

- The professional employee's spouse shall be eligible for the Freeport Area School District Health Care Plan in accordance with COBRA legislation in effect when the retired employee's health care benefits terminate.

The above benefits are financed on a pay-as-you-go basis. The following is a summary of the number of currently eligible participants and the amount of expenditures recognized during the year:

	Health Care Benefits
Amount of benefit expenditures for the year paid by District	$ 37,600
Amount of benefit expenditures for the year paid by Retiree	51,213
Number of participants currently eligible	8

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

LENAPE AREA VOCATIONAL TECHNICAL SCHOOL

The Freeport Area School District, in conjunction with three other School Districts (Armstrong, Freeport and Freeport Area) funds the operating budget of the Lenape Area Vocational Technical School (Vo-Tech). The Vo-Tech is designed to teach students from member districts trade related professions. Each district's share of tuition is based on the percentage of the district's enrollment to the total enrollment at the Vo-Tech. The Vo-Tech's Joint Operating Committee is comprised of three appointed board members from the Armstrong School District and two appointed members from each of the other Districts. The Freeport Area School District contributed $822,366 to the Vo-Tech for the year ended June 30, 2025. The Vo-Tech issues separate financial statements annually, a copy of which can be obtained by contacting the Lenape Area Vocational Technical School's business office at 2215 Chaplin Avenue, Ford City, PA 16226.

ARIN INTERMEDIATE UNIT 28

The Freeport Area School District, in conjunction with ten other School Districts located in Armstrong and Indiana County participates in the ARIN Intermediate Unit 28. The ARIN Intermediate Unit is mainly designed to provide special education, adult education, and non-public school services to the participating districts. Each school district appoints one member to the Board of Directors of the Intermediate Unit. The Freeport Area School District contributed $125,962 to the ARIN Intermediate Unit 28 as part of deductions from its 2024-2025 basic education subsidy. The Intermediate Unit issues separate financial statements annually, a copy of which can be obtained by contacting the ARIN Intermediate Unit 28 business office at 2895 West Pike, Indiana, Pa. 15701.

NOTE 14 - RISK AND UNCERTAINTIES

GENERAL INSURANCE

The Freeport Area School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 14 - RISK AND UNCERTAINTIES (Continued)

HEALTH INSURANCE (Continued)

The Freeport Area School District is one of fourteen local educational agency members of the Armstrong Indiana Insurance Trust (AIIT), a public entity risk pool created on July 1, 1998 designed to administer health and medical insurance risks on a pooled basis.

Effective July 1, 2000, AIIT entered into an Administrative Service Contract (ASC) with Highmark Blue Cross-Blue Shield (self-insured medical/prescription insurance coverage). Stop-loss insurance coverage, for both specific and aggregate claim losses, is maintained to limit liability exposure. Specific coverage is for claim losses over $200,000. Aggregate coverage is based on claim losses over 120% of an annual composite factor used for single and family coverage under PPO medical plans. Specific and aggregate stop-loss insurance covers claims incurred over the fiscal year (July 1 through June 30) and paid within a fifteen-month period.

AIIT has established three levels of reserve for potential long-term losses; a Termination Liability Reserve (TLR), a Claims Contingency Reserve (CCR) and a Rate Stabilization Reserve (RSR). TLR represents reserve funds necessary to cover run-out claims for a period of 60 days of average claims and related expenses to be adjusted annually. The CCR is an amount held in excess of the TLR, not to exceed 250% of the expected claims for the next fiscal year as calculated by Highmark Blue Cross Blue Shield. The RSR includes any funds accumulated beyond 50% of the prior year's annual premium.

As of June 30, 2025, AIIT net position totaled a deficit $2,079,402, of which Freeport Area School District's share was a deficit $464,248. The District's share of net position includes $812,982 in claims contingency reserve, $471,477 in terminal liability reserve, and a deficit $1,755,707 in trust equity. The District's premium contributions for the 2024-2025 year were $3,689,344. PPO monthly coverage averaged 56 employees with a monthly average premium of $1,932. EPO monthly coverage averaged 101 employees with a monthly average premium of $1,888. The AIIT issues separate financial statements annually, a copy of which can be obtained by contacting the ARIN Intermediate Unit 28 business office at 2895 West Pike, Indiana, PA 15701.

DENTAL INSURANCE

The Freeport Area School District is one of thirty-two local educational agency members of the Educator's Dental Consortium, a public entity risk pool created on July 1, 2017, established for the purpose of purchasing and providing dental insurance to participating members. The consortium is authorized to provide a dental insurance plan using an Administrative Services only (ASO) funding arrangement. The funding formula for each participant will be set by the Administrator based on a 12-month utilization performance as detailed in the consortium agreement.

STATE AND FEDERAL SUBSIDIES

The Freeport Area School District's state and federally funded programs are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The District is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 14 - RISK AND UNCERTAINTIES (Continued)

LEGAL MATTERS

The Freeport Area School District, in the normal course of operations, is party to various legal matters normally associated with school districts such as real estate tax assessment appeals, personnel wage and benefits, student education and athletics, construction projects, and other miscellaneous legal matters. The District is not aware of any current claims, litigation or assessments against the District that would adversely impact the financial position of the District as of the date of this report.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated its June 30, 2025 financial statements for subsequent events through the February 4, 2026 date of the 'Independent Auditor's Report', which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

FREEPORT AREA SCHOOL DISTRICT **SCHEDULE 1**

DETAILED SCHEDULE OF BUDGETED AND ACTUAL REVENUES - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
LOCAL SOURCE:			
Real Estate	$ 17,589,354	$ 17,744,371	$ 155,017
Interim Real Estate	80,000	107,564	27,564
Public Utility Tax	17,500	19,089	1,589
Payments in lieu of Current	14,500	30,247	15,747
Local Service Tax	17,800	18,946	1,146
Wage Taxes	2,190,000	2,296,552	106,552
RE Transfer Tax	321,660	276,154	(45,506)
Delinquent Taxes	575,000	572,824	(2,176)
Delinquent Per Capita Taxes	-	18,210	18,210
Delinquent Earned Income Tax	30,500	37,424	6,924
Interest	400,000	701,260	301,260
Admissions	52,000	59,608	7,608
IDEA Revenue Received from IU	290,000	330,972	40,972
Rentals	62,500	81,715	19,215
Contributions & Donations	47,272	46,094	(1,178)
Regular School Day Tuition	13,000	13,200	200
Refund of Prior Year Expenditures	-	15,575	15,575
Miscellaneous	10,000	19,846	9,846
TOTAL LOCAL SOURCE	**$ 21,711,086**	**$ 22,389,651**	**$ 678,562**
STATE SOURCE:			
Basic Subsidy	$ 8,061,804	$ 8,081,549	$ 19,745
Cyber Charter Transition	-	47,020	47,020
Section 1305/1306	-	43,203	43,203
Special Education	1,372,876	1,591,776	218,900
Transportation	1,075,000	1,238,233	163,233
Rental Payments/PLANCON	252,061	244,528	(7,533)
Health Services	36,360	34,614	(1,746)
Feminine Hygiene Products Fund	-	3,092	3,092
State Property Tax Reduction Allocation	1,070,129	1,070,129	0
Sewage Treatment Operation	-	69,778	69,778
Safe Schools	-	33,499	33,499
PCCD	127,683	-	(127,683)
Ready to Learn Grant	273,836	273,836	-
Ready to Learn Grant Adequacy Supplement	-	295,288	295,288
PA Smart Grants	-	51,659	51,659
Other State Grants	-	70,000	70,000
Social Security	650,744	615,618	(35,126)
Retirement	2,825,510	2,776,207	(49,303)
TOTAL STATE SOURCE	**$ 15,746,003**	**$ 16,540,028**	**$ 794,027**
FEDERAL SOURCE:			
Title I	$ 194,493	$ 193,524	$ (969)
Title II	33,930	40,898	6,968
Title IV	15,352	14,647	(705)
ARP ESSER	-	-	-
PCCD	-	-	-
ARP Summer Programs	-	110,168	110,168
ARP Homeless Children	-	-	-
ACCESS	100,000	21,187	(78,813)
Medical Assitistance Admin.	6,000	6,600	600
TOTAL FEDERAL SOURCE	**$ 349,775**	**$ 387,023**	**$ 37,248**
OTHER FINANCING SOURCES:			
Sale of Assets	$ -	$ 900	$ 900
TOTAL OTHER FINANCING SOURCES	**$ -**	**$ 900**	**$ 900**
TOTAL REVENUES AND OTHER FINANCING SOURCES	**$ 37,806,864**	**$ 39,317,602**	**$ 1,510,737**

The accompanying notes are an integral part of these financial statements

FREEPORT AREA SCHOOL DISTRICT
DETAILED SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
INSTRUCTION:			
REGULAR PROGRAMS:			
Personal Services - Salaries	$ 8,560,320	$ 8,636,876	$ (76,556)
Personal Services - Employee Benefits	5,740,566	5,677,437	63,130
Purchased Professional/Technical Services	386,427	471,440	(85,013)
Purchased Property Services	14,455	5,220	9,235
Other Purchased Services	418,550	476,807	(58,257)
Supplies	615,008	477,365	137,644
Other Objects	1,255	525	730
TOTAL REGULAR PROGRAMS	**$ 15,736,582**	**$ 15,745,668**	**$ (9,086)**
SPECIAL PROGRAMS:			
Personal Services - Salaries	$ 1,899,281	$ 1,916,390	$ (17,109)
Personal Services - Employee Benefits	1,145,861	1,145,629	231
Purchased Professional/Technical Services	724,908	636,126	88,782
Other Purchased Services	1,020,356	1,175,952	(155,596)
Supplies	45,444	59,652	(14,207)
TOTAL SPECIAL PROGRAMS	**$ 4,835,849**	**$ 4,933,749**	**$ (97,899)**
VOCATIONAL EDUCATION PROGRAMS:			
Other Purchased Services	$ 798,934	$ 822,286	$ (23,352)
Supplies	500	471	29
TOTAL VOCATIONAL EDUCATION PROGRAMS	**$ 799,434**	**$ 822,758**	**$ (23,324)**
OTHER INSTRUCTIONAL PROGRAMS:			
Personal Services - Salaries	$ 2,000	$ 1,938	$ 62
Personal Services - Employee Benefits	840	811	29
Purchased Professional/Technical Services	27,000	22,696	4,304
Other Purchased Services	219,200	121,463	97,737
Supplies	16,000	13,511	2,489
TOTAL OTHER INSTRUCTIONAL PROGRAMS	**$ 265,040**	**$ 160,419**	**$ 104,620**
NONPUBLIC SCHOOL PROGRAMS			
Purchased Professional/Technical Services	$ 1,358	$ 11,756	$ (10,398)
TOTAL NONPUBLIC SCHOOL PROGRAMS	**$ 1,358**	**$ 11,756**	**$ (10,398)**
TOTAL INSTRUCTION	**$ 21,638,263**	**$ 21,674,350**	**$ (36,087)**
PUPIL PERSONNEL:			
Personal Services - Salaries	$ 492,370	$ 477,061	$ 15,309
Personal Services - Employee Benefits	344,674	315,769	28,905
Purchased Professional/Technical Services	108,550	212,488	(103,938)
Other Purchased Services	1,815	969	846
Supplies	9,985	2,557	7,428
Other Objects	75,719	60	75,659
TOTAL PUPIL PERSONNEL	**$ 1,033,113**	**$ 1,008,904**	**$ 24,209**
INSTRUCTIONAL STAFF:			
Personal Services - Salaries	$ 401,350	$ 405,260	$ (3,910)
Personal Services - Employee Benefits	281,370	271,769	9,601
Purchased Professional/Technical Services	43,192	28,742	14,450
Other Purchased Services	16,800	7,648	9,152
Supplies	26,716	25,181	1,535
Other Objects	600	-	600
TOTAL INSTRUCTIONAL STAFF	**$ 770,028**	**$ 738,600**	**$ 31,428**

FREEPORT AREA SCHOOL DISTRICT
DETAILED SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
ADMINISTRATION:			
Personal Services - Salaries	$ 1,471,956	$ 1,475,945	$ (3,989)
Personal Services - Employee Benefits	918,109	911,310	6,799
Purchased Professional/Technical Services	186,687	187,330	(643)
Purchased Property Services	2,070	1,971	99
Other Purchased Services	33,573	25,332	8,241
Supplies	53,873	49,624	4,249
Other Objects	23,244	25,212	(1,968)
TOTAL ADMINISTRATION	**$ 2,689,513**	**$ 2,676,724**	**$ 12,788**
PUPIL HEALTH:			
Personal Services - Salaries	$ 270,497	$ 263,819	$ 6,678
Personal Services - Employee Benefits	137,977	134,784	3,193
Purchased Professional/Technical Services	100,510	75,761	24,749
Purchased Property Services	675	325	350
Other Purchased Services	900	736	164
Supplies	14,366	16,633	(2,268)
TOTAL PUPIL HEALTH	**$ 524,925**	**$ 492,058**	**$ 32,867**
BUSINESS:			
Personal Services - Salaries	$ 332,767	$ 329,060	$ 3,707
Personal Services - Employee Benefits	213,059	211,923	1,136
Purchased Professional/Technical Services	36,011	34,729	1,281
Purchased Property Services	814	941	(127)
Other Purchased Services	6,405	4,365	2,040
Supplies	12,500	8,794	3,706
Other Objects	2,000	1,479	521
TOTAL BUSINESS	**$ 603,557**	**$ 591,292**	**$ 12,265**
OPERATION & MAINTENANCE OF PLANT SERVICES:			
Personal Services - Salaries	$ 1,106,078	$ 1,086,831	$ 19,247
Personal Services - Employee Benefits	951,342	855,184	96,158
Purchased Professional/Technical Services	299,790	341,390	(41,600)
Purchased Property Services	259,960	340,035	(80,075)
Other Purchased Services	175,861	152,667	23,194
Supplies	773,281	879,618	(106,337)
Property	-	9,900	(9,900)
Other Objects	50	50	-
OF PLANT SERVICES	**$ 3,566,362**	**$ 3,665,676**	**$ (99,313)**
STUDENT TRANSPORTATION:			
Purchased Professional/Technical Services	$ -	$ -	$ -
Other Purchased Services	1,928,114	2,216,904	(288,790)
TOTAL STUDENT TRANSPORTATION	**$ 1,928,114**	**$ 2,216,904**	**$ (288,790)**
CENTRAL:			
Personal Services - Salaries	$ 90,309	$ 91,740	$ (1,431)
Personal Services - Employee Benefits	62,824	61,765	1,059
Purchased Professional/Technical Services	167,886	138,018	29,868
Other Purchased Services	3,600	3,276	324
Supplies	20,918	22,980	(2,062)
Property	50,997	50,997	-
TOTAL CENTRAL SERVICES	**$ 396,533**	**$ 368,775**	**$ 27,758**
OTHER SUPPORT SERVICES:			
Other Purchased Services	$ 88,578	$ 93,392	$ (4,814)
TOTAL OTHER SUPPORT SERVICES:	**$ 88,578**	**$ 93,392**	**$ (4,814)**
TOTAL SUPPORT SERVICES	**$ 11,600,723**	**$ 11,852,325**	**$ (251,602)**

FREEPORT AREA SCHOOL DISTRICT
DETAILED SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
OPERATION OF NON-INSTRUCTIONAL SERVICES:			
STUDENT ACTIVITIES:			
Personal Services - Salaries	$ 288,817	$ 283,674	$ 5,143
Personal Services - Employee Benefits	134,418	130,878	3,541
Purchased Professional/Technical Services	117,308	114,778	2,530
Purchased Property Services	8,500	8,500	-
Other Purchased Services	82,760	79,364	3,396
Supplies	164,261	59,552	104,709
Other Objects	15,450	14,843	607
TOTAL STUDENT ACTIVITIES	**$ 811,513**	**$ 691,588**	**$ 119,926**
COMMUNITY SERVICES:			
Supplies	$ -	$ -	$ -
TOTAL COMMUNITY SERVICES	**$ -**	**$ -**	**$ -**
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	**$ 811,513**	**$ 691,588**	**$ 119,926**
OTHER FINANCING USES:			
DEBT SERVICE/REFUND PRIOR YEAR:			
Principal/Interest	$ 32,390	$ 32,388	$ 2
Refund of Prior Year Receipts	15,106	25,317	(10,211)
TOTAL DEBT SERVICE/REFUND PRIOR YEAR	**$ 47,496**	**$ 57,705**	**$ (10,209)**
FUND TRANSFERS:			
Interfund Transfers - Debt Service Fund	$ 4,034,108	$ 3,651,300	$ 382,808
TOTAL FUND TRANSFERS	**$ 4,034,108**	**$ 3,651,300**	**$ 382,808**
BUDGETARY RESERVE:	**$ 363,000**	**$ -**	**$ 363,000**
TOTAL OTHER FINANCING USES	**$ 4,397,108**	**$ 3,651,300**	**$ 745,808**
TOTAL EXPENDITURES	**$ 38,495,104**	**$ 37,927,269**	**$ 567,834**

FREEPORT AREA SCHOOL DISTRICT
CASH SUMMARY - STUDENT ACTIVITY CUSTODIAL FUNDS **SCHEDULE 3**
FOR THE YEAR ENDED JUNE 30, 2024

CLUB	AUDITED BALANCE 6/30/2024	RECEIPTS	DISBURS.	AUDITED BALANCE 6/30/2025
Band	$ 1,982	$ 3,970	$ 3,725	$ 2,227
Chorus	709	18,196	18,043	862
SADD	60	-	60	-
Special Needs Prom	3,695	-	-	3,695
Class of 2025	273	1,652	801	1,124
Class of 2026	1,913	23,291	18,239	6,965
Class Play	7,016	85,177	90,860	1,333
Freeportian	12,978	7,278	9,069	11,187
DECA	1,214	13,256	10,988	3,482
Field Trip	1,315	-	245	1,070
French Club	81	3,489	3,112	458
Gay Straight Alliance	2	-	2	-
Key Club	571	5,607	4,295	1,883
English Department	602	-	250	352
Junior High Activities	23,511	76,203	76,932	22,782
Musical	3,232	37,517	37,249	3,500
National Honor Society	762	920	649	1,033
Ski Club	512	11,748	11,827	433
Student Council	2,007	7,610	6,374	3,243
Flower Fund	513	290	310	493
Guidance	69	1,287	1,088	268
Holly River Trip	31	-	31	-
PJAS/PRESEF	-	3,643	3,075	568
TV Production	609	1,440	1,200	849
Student Body Activities	1,240	1,360	1,500	1,100
Senior Trip	1,786	5,550	5,362	1,974
Tri M	1,873	9,801	9,803	1,871
Child Development	113	-	113	-
Other	6,338	5,237	6,332	5,243
Yellowjacket	553	-	-	553
	$ 75,560	**$ 324,522**	**$ 321,534**	**$ 78,548**

The accompanying notes are an integral part of these financial statements

REQUIRED SUPPLEMENTARY INFORMATION

FREEPORT AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DEFINED BENEFIT PENSION PLAN
JUNE 30,

As of the measurement date of June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0931%	0.0926%	0.0980%	0.0963%	0.0976%	0.0972%	0.0961%	0.0993%	0.0946%	0.0949%
District's proportionate share of the net pension liability	$ 38,967,000	$ 41,328,000	$ 43,570,000	$ 39,538,000	$ 48,057,000	$ 45,473,000	$ 46,133,000	$ 49,043,000	$ 46,881,000	$ 41,106,000
District's covered payroll	$ 14,694,634	$ 14,188,446	$ 14,394,823	$ 13,635,479	$ 13,694,454	$ 13,410,402	$ 12,936,341	$ 13,118,893	$ 12,371,107	$ 12,210,125
District's proportionate share of the net pension liability as a percentage of its covered payroll	265.18%	291.28%	302.68%	289.96%	350.92%	339.09%	356.62%	373.83%	378.96%	336.66%
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%

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

FREEPORT AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
JUNE 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contributions	$ 4,907,215	$ 4,888,824	$ 4,867,309	$ 4,885,901	$ 4,575,871	$ 4,558,623	$ 4,345,860	$ 4,062,260	$ 3,870,066	$ 3,201,939
Contribution in relation to the contractually required contribution	(4,907,215)	(4,888,824)	(4,867,309)	(4,885,901)	(4,575,871)	(4,558,623)	(4,345,860)	(4,062,260)	(3,870,066)	(3,201,939)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 14,860,107	$ 14,694,634	$ 14,188,446	$ 14,394,823	$ 13,635,479	$ 13,694,454	$ 13,410,402	$ 12,936,341	$ 13,118,893	$ 12,371,107
Contributions as a percentage of covered payroll	33.02%	33.27%	34.30%	33.94%	33.56%	33.29%	32.41%	31.40%	29.50%	25.88%

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

FREEPORT AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN
JUNE 30,

As of the measurement date of June 30,	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0926%	0.0926%	0.0979%	0.0962%	0.0976%	0.0972%	0.0961%	0.0993%
District's proportionate share of the net OPEB liability	$ 1,645,000	$ 1,675,000	$ 1,802,000	$ 2,280,000	$ 2,109,000	$ 2,067,000	$ 2,004,000	$ 2,023,000
District's covered payroll	$ 14,694,634	$ 14,188,446	$ 14,394,823	$ 13,635,479	$ 13,694,454	$ 13,410,402	$ 12,936,341	$ 13,118,893
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	11.19%	11.81%	12.52%	16.72%	15.40%	15.41%	15.49%	15.42%
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%

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

FREEPORT AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS - PSERS PLAN
JUNE 30,

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	$ 92,923	$ 93,790	$ 105,781	$ 114,491	$ 111,375	$ 114,476	$ 110,646	$ 106,228
Contribution in relation to the contractually required contribution	(92,923)	(93,790)	(105,781)	(114,491)	(111,375)	(114,476)	(110,646)	(106,228)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 14,860,107	$ 14,694,634	$ 14,188,446	$ 14,394,823	$ 13,635,479	$ 13,694,454	$ 13,410,402	$ 12,936,341
Contributions as a percentage of covered payroll	0.63%	0.64%	0.75%	0.80%	0.82%	0.84%	0.83%	0.82%

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

FREEPORT AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
DISTRICT POST-RETIREMENT HEALTHCARE PLAN
JUNE 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service cost	$ 181,006	$ 195,003	$ 319,350	$ 308,622	$ 174,141	$ 165,180	$ 258,387	$ 259,467	$ 285,382
Interest	173,651	154,351	128,174	124,298	163,364	169,734	158,254	125,287	148,947
Change of benefits terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	634,584	-	(1,095,122)	-	6,042	-	(129,771)	-	(324,617)
Changes of assumptions or other inputs	(41,705)	(385,361)	(719,992)	42,020	761,246	80,760	(115,085)	(167,785)	48,343
Benefit payments	(135,740)	(119,581)	(206,202)	(165,289)	(148,007)	(134,005)	(206,393)	(192,508)	(345,000)
Net Change in Total OPEB Liability	**$ 811,796**	**$ (155,588)**	**$ (1,573,792)**	**$ 309,651**	**$ 956,786**	**$ 281,669**	**$ (34,608)**	**$ 24,461**	**$ (186,945)**
Total OPEB Liability - Beginning of Year	**4,204,613**	**4,360,201**	**5,933,993**	**5,624,342**	**4,667,556**	**4,385,887**	**4,420,495**	**4,396,034**	**4,582,979**
Total OPEB Liability - End of Year	**$ 5,016,409**	**$ 4,204,613**	**$ 4,360,201**	**$ 5,933,993**	**$ 5,624,342**	**$ 4,667,556**	**$ 4,385,887**	**$ 4,420,495**	**$ 4,396,034**
Covered payroll	$ 11,348,313	$ 11,339,988	$ 11,063,403	$ 11,496,230	$ 11,215,834	$ 11,213,355	$ 10,939,859	$ 11,425,672	$ 11,146,997
Total OPEB liability as a percentage of covered payroll	44.20%	37.08%	39.41%	51.62%	50.15%	41.62%	40.09%	38.69%	39.44%

This schedule is intended to illustrate information for a ten (10) year period. Information for the ten-year period will be presented as information becomes available.

NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PSERS PENSION BENEFITS

Changes in Benefit Terms

None

Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2024

None

Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2023

None

Actuarial Assumptions used in Calculations of Actuarially Determined Contributions

None

NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Changes in Benefit Terms

None

NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2024

- Investment return went from 4.13% S&P 20 Year Municipal Bond Rate to 4.21% S&P 20 Year Municipal Bond Rate
- The discount rate increased from 4.13% to 4.21%

Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2023

- Investment return went from 4.09% S&P 20 Year Municipal Bond Rate to 4.13% S&P 20 Year Municipal Bond Rate
- The discount rate decreased from 4.09% to 4.13%

Changes in Actuarial Assumptions used in Calculations of Actuarially Determined Contributions

None

Actuarial Assumptions used in Calculations of Actuarially Determined Contributions

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021, was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE 3 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE RETIREE OPEB SCHOOL PLAN

Changes in Benefit Terms

None

Changes in Assumptions

- Discount rate increased from 4.13% at 6/30/24 to 4.29% at 6/30/2025
- Changed the assumed medical trend rates

Actuarial Assumptions used in Calculations of Actuarially Determined Contributions

The actuarial plan does not disclose actuarial assumptions, if applicable, used in the calculations of Actuarially Determined Contributions.

FREEPORT AREA SCHOOL DISTRICT

AS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE

Turnley Robertson & Associates LLC

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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

Management and Board of Education
Freeport Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freeport Area School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Freeport Area School District's basic financial statements, and have issued our report thereon dated February 4, 2026.

Report on Internal Control over Financial Reporting

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

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

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 may exist that have not been identified.

Management and Board of Education
Freeport Area School District

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Freeport Area School District's financial statements are free of 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 Freeport Area School 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 Freeport Area School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turnley Robertson & Associates LLC

Turnley Robertson & Associates LLC

February 4, 2026
New Brighton, Pennsylvania

Turnley Robertson & Associates LLC

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

Management and Board of Education
Freeport Area School District

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Freeport Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Freeport Area School District's major federal programs for the year ended June 30, 2025. Freeport Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Freeport Area School District complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement 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 Freeport Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Freeport Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Freeport Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 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.

Turnley Robertson & Associates LLC

Turnley Robertson & Associates LLC

February 4, 2026
New Brighton, Pennsylvania

FREEPORT AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

FEDERAL GRANTOR / PROJECT TITLE	FUNDING SOURCE	ASSISTANCE LISTING NUMBER	PASS-THROUGH GRANTOR NUMBER	GRANT PERIOD BEGINNING / ENDING DATE	PROGRAM AWARD AMOUNT	2024-2025 AMOUNTS PASSED ON TO SUB-RECIPIENTS	TOTAL RECEIVED THIS PERIOD	ACCRUED (UNEARNED) REVENUE JULY 1	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE JUNE 30
U.S. DEPARTMENT OF EDUCATION:											
Passed through ARIN Intermediate Unit 28: (Special Education Cluster)											
IDEA	Indirect	84.027	062-25-0-008	7/1/24-6/30/25	$ 327,762	$ -	$ 327,762	$ -	$ 327,762	$ 327,762	$ -
IDEA - Section 619	Indirect	84.173	131-25-0-008	7/1/24-6/30/25	3,210	-	3,210	-	3,210	3,210	-
Total passed through ARIN Intermediate Unit 28 (Special Education Cluster)						**$ -**	**$ 330,972**	**$ -**	**$ 330,972**	**$ 330,972**	**$ -**
Total Special Education Cluster						**$ -**	**$ 330,972**	**$ -**	**$ 330,972**	**$ 330,972**	**$ -**
Passed through Pa. Department of Education:											
Title I	Indirect	84.010	013-250159	7/1/24-9/30/25	$ 192,026	$ -	$ 166,616	$ -	$ 192,026	$ 192,026	$ 25,410
Title I	Indirect	84.010	013-240159	7/1/23-9/30/24	194,498	-	38,904	37,406	1,498	1,498	-
Title II - Improving Teacher Quality	Indirect	84.367	020-250159	7/1/24-9/30/25	40,898	-	32,551	-	40,898	40,898	8,347
Title II - Improving Teacher Quality	Indirect	84.367	020-240159	7/1/23-9/30/24	34,240	-	7,096	7,096	-	-	-
Title IV	Indirect	84.424	144-250159	7/1/24-9/30/25	14,647	-	3,906	-	14,647	14,647	10,741
COVID-19 - ARP ESSER 7% (Learning Loss)	Indirect	84.425U	225-210159	3/13/20-9/30/24	73,968	-	8,069	8,069	-	-	-
COVID-19 - ARP ESSER 7% (Summer School)	Indirect	84.425U	225-210159	3/13/20-9/30/24	14,794	-	1,614	1,614	-	-	-
COVID-19 - ARP ESSER 7% (After School)	Indirect	84.425U	225-210159	3/13/20-9/30/24	14,794	-	1,614	1,614	-	-	-
Total passed through Pa. Department of Education						**$ -**	**$ 260,370**	**$ 55,799**	**$ 249,069**	**$ 249,069**	**$ 44,498**
TOTAL U.S. DEPARTMENT OF EDUCATION						**$ -**	**$ 591,342**	**$ 55,799**	**$ 580,041**	**$ 580,041**	**$ 44,498**
U.S. DEPARTMENT OF TREASURY											
Passed through Pa. Commission on Crime and Delinquency:											
COVID-SFR School Mental Health Grant	Indirect	21.027	2023-CM-01-41605	8/1/24-12/31/25	$ 123,619	$ -	$ 22,582	$ -	$ 110,168	$ 110,168	$ 87,586
Total passed through Pa. Commission on Crime and Delinquency						**$ -**	**$ 22,582**	**$ -**	**$ 110,168**	**$ 110,168**	**$ 87,586**
TOTAL U.S. DEPARTMENT OF TREASURY						**$ -**	**$ 22,582**	**$ -**	**$ 110,168**	**$ 110,168**	**$ 87,586**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:											
Passed through Pa. Department of Human Services:											
Title 19	Indirect	93.778	N/A	7/1/24-6/30/25	N/A	$ -	$ 6,600	$ -	$ 6,600	$ 6,600	$ -
Total passed through Pa. Department of Human Services						**$ -**	**$ 6,600**	**$ -**	**$ 6,600**	**$ 6,600**	**$ -**
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						**$ -**	**$ 6,600**	**$ -**	**$ 6,600**	**$ 6,600**	**$ -**
U.S. Department of Agriculture:											
Passed through Pa. Department of Education: (Child Nutrition Program Cluster)											
National School Lunch Program	Indirect	10.555	N/A	7/1/24-6/30/25	N/A	$ -	$ 252,360	$ -	$ 252,360	$ 252,360 **(1)**	$ -
National School Breakfast Program	Indirect	10.553	N/A	7/1/24-6/30/25	N/A	-	89,307	-	89,307	89,307 **(1)**	-
Total passed through Pa. Department of Education (Child Nutrition Program Cluster)						**$ -**	**$ 341,667**	**$ -**	**$ 341,667**	**$ 341,667**	**$ -**
Passed through Pa. Department of Agriculture: (Child Nutrition Program Cluster)											
National School Lunch Program	Indirect	10.555	N/A	7/1/24-6/30/25	N/A	$ -	$ 61,493 *	$ (9,724) **	$ 55,923	$ 55,923 **(1)**	$ (4,154) ***
Total passed through Pa. Department of Agriculture (Child Nutrition Program Cluster)						**$ -**	**$ 61,493**	**$ (9,724)**	**$ 55,923**	**$ 55,923**	**$ (4,154)**
Total Child Nutrition Cluster						**$ -**	**$ 403,160**	**$ (9,724)**	**$ 397,590**	**$ 397,590**	**$ (4,154)**
Passed through Pa. Department of Education:											
P-EBT Local Admin Funds	Indirect	10.649	N/A	7/1/24-6/30/25	N/A	$ -	$ -	$ -	$ -	$ -	$ -
Total Passed through Pa. Department of Education						**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL U.S. DEPARTMENT OF AGRICULTURE						**$ -**	**$ 403,160**	**$ (9,724)**	**$ 397,590**	**$ 397,590**	**$ (4,154)**
TOTAL FEDERAL ASSISTANCE						**$ -** #	**$ 1,023,684**	**$ 46,075**	**$ 1,094,399**	**$ 1,094,399**	**$ 127,930**

 # Reconciliation with federal subsidy confirmation:

Per above	$ 1,023,684
School Lunch Matching Subsidy	131,049
IDEA	(330,972)
PA Smart Grant	51,658
Title 19	(6,600)
School Mental Health Grant	(22,582)
Medical Assistance (ACCESS)	54,064
Donated commodities	(61,493)
Per confirmation	**$ 838,808**

* **Total USDA Commodity Received**
** **Represents beginning inventory - 7/1/24**
*** **Represents ending inventory - 6/30/25**
(1) Denotes Major Programs

FREEPORT AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Freeport Area School District for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG).* Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Freeport Area School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

NOTE 4 – RECEIVABLES AND UNEARNED REVENUE

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C and is referenced in Note 5 to the Financial Statements.

NOTE 5 - NON-CASH ASSISTANCE

The Freeport Area School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2024-2025 fiscal year.

NOTE 6 – INDIRECT COST RATE

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

FREEPORT AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____yes __X__no
• Significant deficiency(ies) identified?	____yes __X__no
Noncompliance material to financial statements noted?	____yes __X__no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	____yes __X__no
• Significant deficiency(ies) identified?	____yes __X__no
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____yes __X__no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.555	National School Lunch Program (Child Nutrition Cluster)
10.553	School Breakfast Program (Child Nutrition Cluster)

The dollar threshold for distinguishing type A and type B programs:

Type A Program	$750,000-$25,000,000
Type B Program	Less than $750,000

Auditee qualified as low-risk auditee? __X__yes _____no

Section II – Financial Statement Findings

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

Section III – Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

FREEPORT AREA SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDING JUNE 30, 2025

The audit report of the Freeport Area School District for the year ended June 30, 2024, dated February 12, 2025, contained no audit findings.