



**PEQUEA VALLEY SCHOOL DISTRICT
KINZERS, PENNSYLVANIA
LANCASTER COUNTY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025

**PEQUEA VALLEY SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of School Directors
Pequea Valley School District
Kinzers, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pequea Valley 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 Pequea Valley 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pequea Valley 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 Pequea Valley 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, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions – PSERS, and the schedule of changes in OPEB liability single-employer plan as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Pequea Valley School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

The Pequea Valley School District's 2024 financial statements were audited by other auditors, and they expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in their report dated June 30, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

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

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
REPORT DATE

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

Management's discussion and analysis (MD&A) of the financial performance of the Pequea Valley School District (the District) provides an overview of the District's financial performance for fiscal year ended June 30, 2025. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of two elementary schools, one middle school and one high school consisting of approximately 1,264 students. The District covers 81 square miles 12 miles east of the City of Lancaster and is comprised of the Townships of Leacock, Paradise, and Salisbury. During 2024-2025, there were 168 employees in the District, consisting of 125 teachers, 16 administrators, including general administration, principals, and supervisors, and 27 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff, food service staff, technology staff, school monitors, and staff nurses.

The mission of the District is to strive to create an "Ideal Learning Environment" that inspires each learner to excel.

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the District resulting in total net position at the close of the 2024-2025 fiscal year of \$41,374,467. During the 2024-2025 fiscal year, the District had an increase in total net position of \$8,787,759. The net position of governmental activities increased by \$8,745,729 and the net position of the business-type activities increased by \$42,030.
- The General Fund reported an increase in its fund balance of \$4,396,537 bringing the cumulative balance to \$37,030,262 at the conclusion of the 2024-2025 fiscal year.
- At June 30, 2025, the General Fund fund balance includes \$1,878 which is considered nonspendable, \$33,250,000 committed to future capital projects, and unassigned amounts of \$3,778,434 or 8.00% of the \$47,230,192 2025-2026 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a school district to maintain an unassigned maximum General Fund fund balance of 8.00% of the following year's expenditure budget.
- Actual revenues and other financing sources were \$4,571,400 more than budgeted amounts and actual expenditures and other financing uses were \$174,863 more than budgeted amounts resulting in a net overall positive variance of \$4,396,537.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

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

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation, and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 18 and 19 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three major individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each of the major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 20 through 23 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions.

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 24 through 26 of this report.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the basic financial statements can be found on Pages 27 through 63 of this report.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 64 through 69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2024-2025 fiscal year the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,374,467. The following table presents condensed information for the Statement of Net Position of the District at June 30, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Assets						
Current Assets	\$ 53,384,345	\$ 70,210,920	\$ 453,373	\$ 428,163	\$ 53,837,718	\$ 70,639,083
Capital Assets, Net	117,544,504	95,333,676	-	-	117,544,504	95,333,676
Total Assets	170,928,849	165,544,596	453,373	428,163	171,382,222	165,972,759
Deferred Outflows of Resources						
Deferred Charges - Pensions	5,367,907	6,562,796	54,221	66,291	5,422,128	6,629,087
Deferred Charges - OPEB	1,048,339	1,188,123	9,001	12,002	1,057,340	1,200,125
Total Deferred Outflows of Resources	6,416,246	7,750,919	63,222	78,293	6,479,468	7,829,212
Liabilities						
Current Liabilities	8,568,646	8,520,302	1,380	297	8,570,026	8,520,599
Noncurrent Liabilities	124,503,267	128,772,074	419,190	447,359	124,922,457	129,219,433
Total Liabilities	133,071,913	137,292,376	420,570	447,656	133,492,483	137,740,032
Deferred Inflows of Resources						
Deferred Credits - Pensions	1,196,910	1,582,020	12,090	15,980	1,209,000	1,598,000
Deferred Credit - OPEB	1,767,883	1,858,459	17,857	18,772	1,785,740	1,877,231
Total Deferred Inflows of Resources	2,964,793	3,440,479	29,947	34,752	2,994,740	3,475,231
Net Position (Deficit)						
Net Investment in Capital Assets	44,047,556	40,533,460	-	-	44,047,556	40,533,460
Restricted	832,170	1,287,081	-	-	832,170	1,287,081
Unrestricted (Deficit)	(3,571,337)	(9,257,881)	66,078	24,048	(3,505,259)	(9,233,833)
Total Net Position (Deficit)	\$ 41,308,389	\$ 32,562,660	\$ 66,078	\$ 24,048	\$ 41,374,467	\$ 32,586,708

The District's total assets as of June 30, 2025, were \$171,382,222 of which \$50,282,598 or 29.34% consisted of cash and investments and \$117,544,504 or 68.59% consisted of the District's investment in capital assets net of depreciation. The District's total liabilities as of June 30, 2025, were \$133,492,483 of which \$80,368,789 or 60.20% consisted of general obligation debt and \$38,548,403 or 28.88% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$3,505,259 at June 30, 2025. The District's unrestricted net position increased by \$5,728,574 during 2024-2025 primarily due to the current results of operations and the change in the actuarially determined net pension liability and related deferred outflows and inflows of resources.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

A portion of the District's net position reflects its restricted net position which totaled \$832,170 as of June 30, 2025. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2025, the District's net investment in capital assets, increased by \$3,514,096 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with sources other than long-term debt.

The following table presents condensed information for the Statement of Activities of the District for 2025 and 2024:

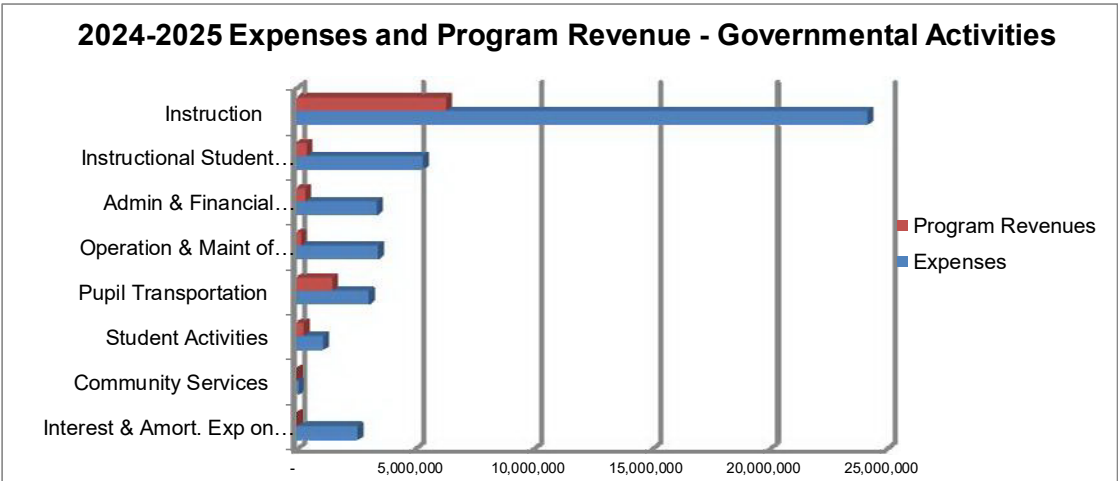
	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues:						
Charges for Services	\$ 494,522	\$ 425,700	\$ 65,230	\$ 98,829	\$ 559,752	\$ 524,529
Operating Grants and Contributions	8,436,992	11,396,760	949,251	801,977	9,386,243	12,198,737
General Revenues:						
Property Taxes Levied for General Purposes	30,990,642	29,218,415	-	-	30,990,642	29,218,415
Earned Income Taxes Levied for General Purposes	3,498,753	3,342,155	-	-	3,498,753	3,342,155
Other Taxes	715,455	449,205	-	-	715,455	449,205
Grants and Entitlements Not Restricted to Specific Programs	4,335,411	4,017,443	-	-	4,335,411	4,017,443
Investment Earnings	3,720,438	3,235,646	32,358	34,557	3,752,796	3,270,203
Gain (Loss) on Sale of Capital Assets	47,849	56,823	-	-	47,849	56,823
Total Revenues	52,240,062	52,142,147	1,046,839	935,363	53,286,901	53,077,510
Expenses						
Instruction	24,572,668	23,429,349	-	-	24,572,668	23,429,349
Instructional Student Support Services	5,369,311	4,433,510	-	-	5,369,311	4,433,510
Administrative and Financial Support Services	3,425,154	3,307,926	-	-	3,425,154	3,307,926
Operation and Maintenance of Plant Services	3,423,886	3,525,173	-	-	3,423,886	3,525,173
Pupil Transportation	3,008,216	2,910,214	-	-	3,008,216	2,910,214
Student Activities	1,109,849	1,015,771	-	-	1,109,849	1,015,771
Community Services	53,571	62,896	-	-	53,571	62,896
Interest and Amortization Expense Related to Noncurrent Liabilities	2,531,678	2,640,177	-	-	2,531,678	2,640,177
Food Service	-	-	1,004,809	916,873	1,004,809	916,873
Total Expenses	43,494,333	41,325,016	1,004,809	916,873	44,499,142	42,241,889
Change in Net Position Before Transfers	8,745,729	10,817,131	42,030	18,490	8,787,759	10,835,621
Transfers	-	(2,705)	-	2,705	-	-
Change in Net Position	<u>\$ 8,745,729</u>	<u>\$ 10,814,426</u>	<u>\$ 42,030</u>	<u>\$ 21,195</u>	<u>\$ 8,787,759</u>	<u>\$ 10,835,621</u>

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

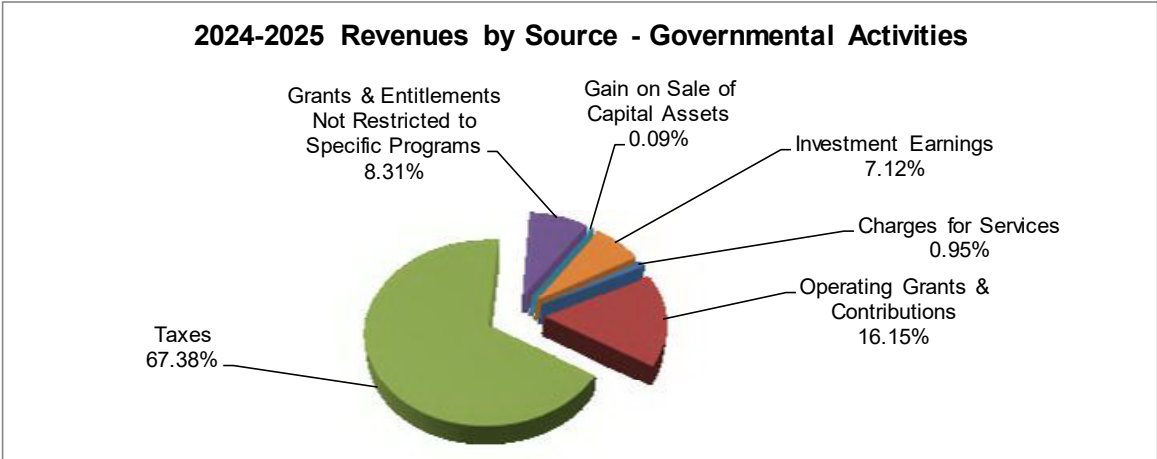
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. The property tax base of the District is predominantly agricultural and residential, with some manufacturing and commercial industry.

The Statement of Activities provides detail that focuses on how the District finances its services. The Statement of Activities compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the Statement of Activities shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

GOVERNMENTAL FUNDS

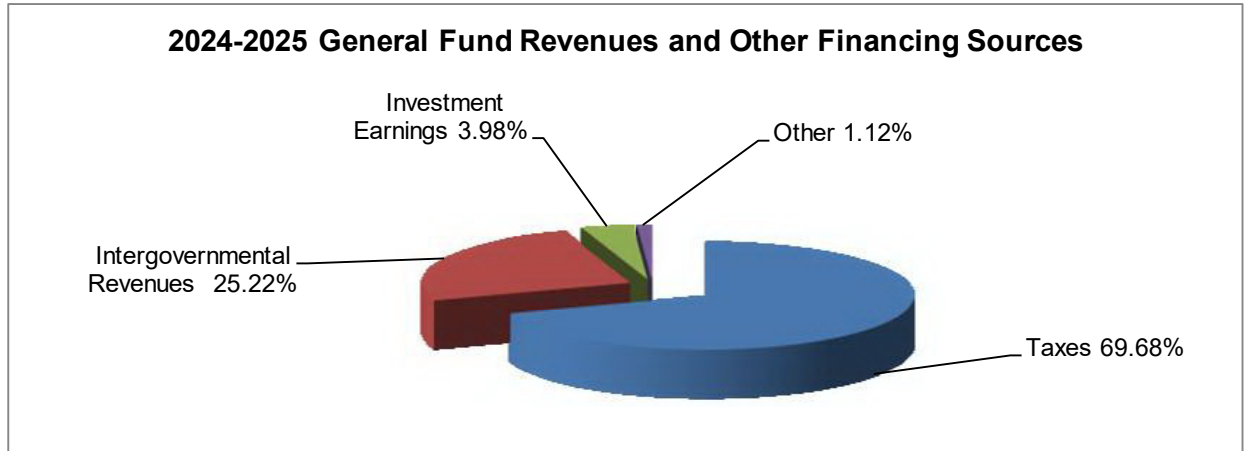
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2025, the District's governmental funds reported a combined fund balance of \$44,852,411 which is a decrease of \$16,851,961 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2025 and 2024, and the total 2025 change in governmental fund balances.

	2025	2024	\$ Change
General Fund	\$ 37,030,262	\$ 32,633,969	\$ 4,396,293
Capital Projects fund	6,989,979	27,783,322	(20,793,343)
Capital Reserve Fund	832,170	1,287,081	(454,911)
Total	<u>\$ 44,852,411</u>	<u>\$ 61,704,372</u>	<u>\$ (16,851,961)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2024-2025 fiscal year, the General Fund fund balance was \$37,030,262, which is an increase of \$4,396,293 from the prior year. The results of the District's General Fund is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2024-2025 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 69.68% of General Fund revenues are derived from local taxes.



**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

GENERAL FUND (CONTINUED)

General Fund Revenues and Other Financing Sources

	2025	2024	\$ Change	% Change
Tax Revenues	\$ 35,234,430	\$ 33,037,620	\$ 2,196,810	6.65 %
Intergovernmental Revenues	12,753,452	15,373,369	(2,619,917)	(17.04)
Investment Earnings	2,012,754	1,910,358	102,396	5.36
Other	568,266	523,357	44,909	8.58
Total	<u>\$ 50,568,902</u>	<u>\$ 50,844,704</u>	<u>\$ (275,802)</u>	<u>(0.54)%</u>

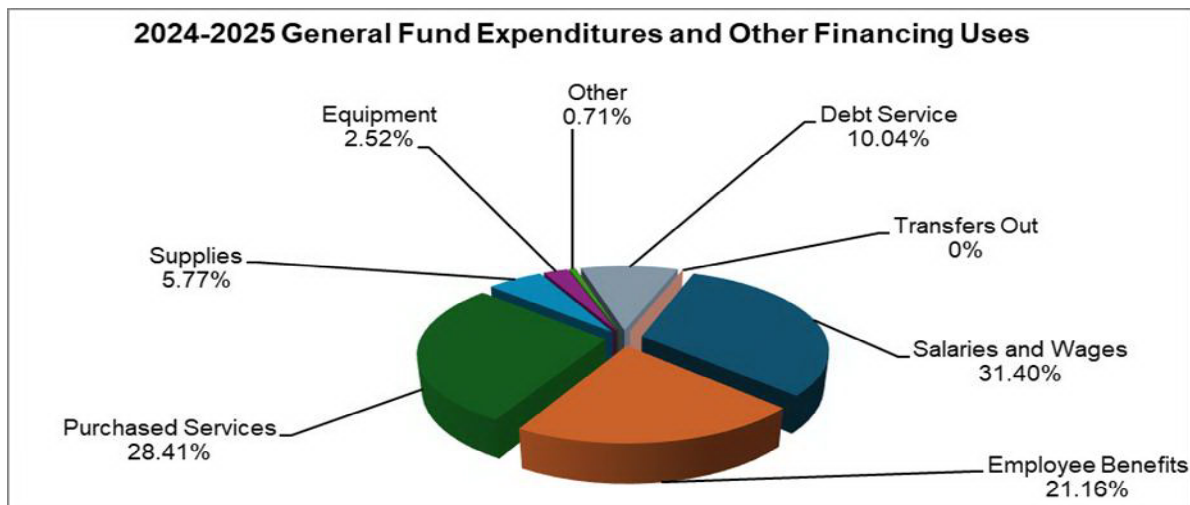
Net tax revenues increased by \$2,196,810 or 6.65% due to several factors. A millage increase of 3.00% in 2024-2025 and an increase in real estate assessed value accounted for the current year increase in tax revenue. The following table summarizes the changes in the District's tax revenues for 2025 compared to 2024:

	2025	2024	\$ Change	% Change
Real Estate Tax	\$ 30,101,680	\$ 28,148,851	\$ 1,952,829	6.94 %
Interim Real Estate Tax	253,312	225,875	27,437	12.15
PURTA Tax	29,924	26,795	3,129	11.68
Earned Income Tax	3,498,753	3,342,155	156,598	4.69
Transfer Tax	685,531	422,410	263,121	62.29
Delinquent Tax	665,230	871,534	(206,304)	(23.67)
Total	<u>\$ 35,234,430</u>	<u>\$ 33,037,620</u>	<u>\$ 2,196,810</u>	<u>6.65 %</u>

Intergovernmental revenues decreased \$2,619,917 or 17.04% in 2024-2025 compared to 2023-2024 primarily due to a decrease in funding through Elementary and Secondary School Emergency Relief Program (ESSER).

Investment earnings increased commensurate with increase in interest rates and deposits on hand.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

GENERAL FUND (CONTINUED)

General Fund Expenditures and Other Financing Uses

	2025	2024	\$ Change	% Change
Salaries and Wages	\$ 14,497,529	\$ 14,425,302	\$ 72,227	0.50 %
Employee Benefits	9,767,936	9,397,192	370,744	3.95
Purchased Services	13,117,835	11,046,433	2,071,402	18.75
Supplies	2,662,190	2,198,304	463,886	21.10
Equipment	1,164,369	442,637	721,732	163.05
Other	327,837	371,531	(43,694)	(11.76)
Debt Service	4,634,913	4,814,173	(179,260)	(3.72)
Transfers Out	-	1,002,705	(1,002,705)	(100.00)
Total	<u>\$ 46,172,609</u>	<u>\$ 43,698,277</u>	<u>\$ 2,474,332</u>	<u>5.66 %</u>

Purchased services increased by \$2,071,402 or 18.75% in 2024-2025 compared to 2023-2024 due to an increase contracted and professional services for instructional programs and administration.

Equipment increased by \$721,732 or 163.05% in 2024-2025 compared to 2023-2024 related to technology equipment purchased for the new middle/high school project and high school equipment purchases.

Transfers out in 2023-2024 represent a \$1,000,000 transfer to the Capital Reserve Fund for planned capital projects.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2024-2025, the Capital Projects Fund reported a decrease in fund balance of \$20,793,343 primarily due to capital expenditures from previously issued general obligation debt primarily related to the construction in progress for the new middle/high school in excess of investment income. The remaining fund balance of \$6,989,979 as of June 30, 2025, is restricted for future capital expenditures.

CAPITAL RESERVE FUND

The Capital Reserve Fund accounts for major equipment purchases and some renovations related to the District's buildings and receives the majority of its revenues from the General Fund. At June 30, 2025, the District reported a Capital Reserve Fund fund balance of \$832,170, which is an decrease over the prior year of \$454,911 due to capital expenditures in excess of investment income.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were \$4,571,400 more than budgeted amounts and actual expenditures and other financing uses were \$174,863 more than budgeted amounts resulting in a net overall positive variance of \$4,396,537. Major budgetary highlights for 2024-2025 were as follows:

- Actual local revenues received were \$3,447,458 more than budgeted amounts primarily due to better than anticipated collections for real estate, earned income and realty transfer taxes and more than expected investment income.
- Total instructional expenditures were \$1,705,451 less than budgeted amounts primarily due to less than budgeted expenditures for special education services.
- Instructional staff services were \$601,098 more than budgeted amounts due to more than budgeted expenditures for technology contracted services, supplies and equipment.
- Operation and maintenance of plant services were \$758,369 more than budget due to unbudgeted expenditures for equipment for the high school.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2024-2025, the net position of the business-type activities and Food Service Fund increased by \$42,030. As of June 30, 2025, the business-type activities and Food Service Fund had net position of \$66,078.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounted to \$117,544,504 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, right-to-use lease and subscription assets, and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was \$22,210,828 or 23.30%. The increase was the result of current year capital additions in excess of depreciation expense.

Current year capital expenditures were \$24,506,858 and depreciation expense and the net book value of disposed capital assets were \$2,296,030. The major capital addition for 2024-2025 was construction in progress for the new middle/high school totaling \$22,666,366.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$80,368,789 consisting of \$76,800,000 in bonds payable and net deferred credits of \$3,568,789. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$1,961,698 or 2.38% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District was \$111,667,421 as of June 30, 2025.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

NONCURRENT LIABILITIES (CONTINUED)

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System (PSERS). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$38,548,403 as of June 30, 2025. The District's net pension liability decreased by \$2,734,958 or 6.62% during the fiscal year.

The District maintains an AA rating from Standard and Poor's.

The District reports a liability for its other postemployment benefits (OPEB) related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$3,370,602 as of June 30, 2025. The District's OPEB liability decreased by \$77,889 or 2.26% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for accrued retirement bonuses, compensated absences, leases payable, and subscriptions payable which totaled \$2,001,032 as of June 30, 2025. These liabilities decreased by \$156,062 or 7.23% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

While the District continues to be strong financially, there continues to be concerns regarding the economic and political outlook for the state and the local community. As the preceding information shows, the District maintains a healthy investment in capital assets to support and provide comprehensive educational services. The District also considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Strong academic performance is supported by reasonable and competitive per pupil spending. Balanced payment schedules on existing debt obligations should mean steady tax implications in the future.

The District adopted a balanced 2025-2026 budget totaling \$47,230,192, and the real estate tax rate remained unchanged.

The District has completed the construction of a new middle/high school building located in the center of the District campus with a total project cost of approximately \$92 million. The new middle/high school building was opened August 2025 for the 2025-2026 school year. The District will demolish the existing middle/high school building and its footprint will be converted to new administrative office and multi-use athletic facilities as part of the District's modernization and consolidation of its secondary campus.

As we have seen throughout the nation, the economic situation is having an effect on the public sector. Challenges face many school districts in Pennsylvania on a number of issues. With the passage of Act 1 of 2006, our District is faced with a cap on the amount of money that can be funded from a property tax increase without voter referendums. This cap is based upon a percentage calculated and provided by the Pennsylvania Department of Education. While some exceptions may apply that would allow for a tax increase in excess of the index, the District will face pressure to keep tax increases at or below the allowable increase for the foreseeable future. In addition, recent legislation has severely hampered the potential benefits of using special exceptions in future years. Another implication of the new law includes earlier budgetary planning cycles.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

In addition to meeting Pennsylvania Academic Standards for school districts, there is the additional challenge of Every Student Succeeds Act (ESSA) mandate imposed by the Federal government. This legislation replaced the No Child Left Behind (NCLB) and has far-reaching requirements on academic performance, adequate yearly progress, teacher qualifications and training, disaggregation of student achievement data, and extensive reporting to the community. It will require a continued, and possibly greater, emphasis on investment in technology, staff development and communication to comply with the requirements of ESSA.

Many school districts face the common problem of escalating costs for employee benefits, particularly the retirement expenses of the Public School Employees' Retirement System (PSERS) system and, as in the case for our District, self-insured medical costs. Both of these costs are set by outside influences and, therefore, are not discretionary costs that can be controlled by District management.

Market performance has had a positive and stabilizing effect on PSERS in recent years, helping improve its funded status and financial health, but it also carries long-term risks that could influence future outcomes. If market performance continues to exceed assumptions, PSERS can further reduce liabilities, improve funded ratios, and potentially lower future employer contributions. If markets underperform, especially in public equities, the funded ratio could decline, increasing liabilities and potentially raising employer contribution rates. Even with strong returns, PSERS faces demographic pressures (more retirees, fewer contributors) and interest rate risks. Sustained high returns are needed to offset these headwinds.

The costs of medical benefits will continue to have an effect on the District budget, as the District continues to offer a competitive benefits package to employees through the District's self-insured plan. The District continues to implement various strategies to lower the pace of medical inflation. The current collective bargaining agreement, which expires June 30, 2030, will continue to provide some relief to these costs through a qualified high deductible health plan that is combined with a health savings account.

Maintaining an appropriate physical environment for learning requires investment in the construction, expansion, and renovation of school facilities. This is a well-planned and ongoing process in our District, accompanied by constant monitoring of enrollment trends and financial implications for the District. In fact, Crabtree, Rohrbaugh & Associates continues a study of the demographics and community growth patterns in the District including aggregate projections of public school enrollments by grade. Crabtree, Rohrbaugh & Associates will then update their previous District-wide facility study, which assesses the current conditions of the buildings and to provide options for renovations and/or additions to the existing school facilities to accommodate future enrollment and/or program needs.

In conclusion, the District has committed itself to financial and educational excellence for the future. The District's systems of budgeting and internal controls are well regarded and consistently followed. Continued diligence in all financial matters will be a key component of continued financial performance well into the future.

**PEQUEA VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025**

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief of Finance and Operations, Pequea Valley School District, 166 South New Holland Road, P.O. Box 130, Kinzers, PA 17535.

BASIC FINANCIAL STATEMENTS

PEQUEA VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Governmental Activities	Business-Type Activities	Totals	
			2025	2024
CURRENT ASSETS				
Cash	\$ 35,959,059	\$ 1,303,041	\$ 37,262,100	\$ 33,113,397
Cash Held In Escrow	3,101,729	-	3,101,729	3,063,294
Investments	9,918,769	-	9,918,769	31,076,714
Taxes Receivable	1,124,546	-	1,124,546	1,093,703
Internal Balances	995,994	(995,994)	-	-
Due from Other Governments	1,552,195	113,676	1,665,871	2,113,796
Other Receivables	730,225	3,307	733,532	140,515
Prepaid Expenses	1,828	-	1,828	6,578
Inventories	-	29,343	29,343	31,086
Total Current Assets	53,384,345	453,373	53,837,718	70,639,083
NONCURRENT ASSETS				
Capital Assets, Net	117,544,504	-	117,544,504	95,333,676
Total Assets	170,928,849	453,373	171,382,222	165,972,759
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges OPEB - Single Employer	829,810	7,204	837,014	907,034
Deferred Charges on Proportionate Share of OPEB - PSERS	218,529	1,797	220,326	293,091
Deferred Charges on Proportionate Share of Pension - PSERS	5,367,907	54,221	5,422,128	6,629,087
Total Deferred Outflows of Resources	6,416,246	63,222	6,479,468	7,829,212
CURRENT LIABILITIES				
Accounts Payable	3,817,803	-	3,817,803	3,905,926
Accrued Salaries, Payroll Withholdings, and Benefits	3,129,326	1,380	3,130,706	3,130,859
Due to Other Governments	1,235,784	-	1,235,784	948,078
Accrued Interest Payable	342,299	-	342,299	348,922
Unearned Revenues	43,434	-	43,434	186,814
Total Current Liabilities	8,568,646	1,380	8,570,026	8,520,599
NONCURRENT LIABILITIES				
Due Within One Year	2,600,754	-	2,600,754	2,096,611
Due in More Than One Year	121,902,513	419,190	122,321,703	127,122,822
Total Noncurrent Liabilities	124,503,267	419,190	124,922,457	129,219,433
Total Liabilities	133,071,913	420,570	133,492,483	137,740,032
DEFERRED INFLOWS OF RESOURCES				
Deferred Credits OPEB - Single Employer	1,423,363	14,377	1,437,740	1,465,231
Deferred Credits on Proportionate Share of OPEB - PSERS	344,520	3,480	348,000	412,000
Deferred Credits on Proportionate Share of Pension - PSERS	1,196,910	12,090	1,209,000	1,598,000
Total Deferred Inflows of Resources	2,964,793	29,947	2,994,740	3,475,231
NET POSITION				
Net Investment in Capital Assets	44,047,556	-	44,047,556	40,533,460
Restricted	832,170	-	832,170	1,287,081
Unrestricted (Deficit)	(3,571,337)	66,078	(3,505,259)	(9,233,833)
Total Net Position	\$ 41,308,389	\$ 66,078	\$ 41,374,467	\$ 32,586,708

See accompanying Notes to Basic Financial Statements.

**PEQUEA VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS JUNE 30, 2024)**

		Program Revenues			Net Revenue (Expense) and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals		
							2025	2024	
PRIMARY GOVERNMENT									
Governmental Activities:									
Instruction	\$ 24,572,668	\$ 322,951	\$ 5,955,139	\$ -	\$ (18,294,578)	\$ -	\$ (18,294,578)	\$ (14,221,517)	
Instructional Student Support	5,369,311	-	406,336	-	(4,962,975)	-	(4,962,975)	(4,010,405)	
Administrative and Financial Support Services	3,425,154	-	337,475	-	(3,087,679)	-	(3,087,679)	(2,974,646)	
Operation and Maintenance of Plant Services	3,423,886	9,109	161,841	-	(3,252,936)	-	(3,252,936)	(3,328,411)	
Pupil Transportation	3,008,216	-	1,476,200	-	(1,532,016)	-	(1,532,016)	(1,492,495)	
Student Activities	1,109,849	162,462	100,001	-	(847,386)	-	(847,386)	(772,009)	
Community Services	53,571	-	-	-	(53,571)	-	(53,571)	(62,896)	
Interest and Amortization Expense Related to Noncurrent Liabilities	2,531,678	-	-	-	(2,531,678)	-	(2,531,678)	(2,640,177)	
Total Governmental Activities	43,494,333	494,522	8,436,992	-	(34,562,819)	-	(34,562,819)	(29,502,556)	
Business-Type Activities:									
Food Service	1,004,809	65,230	949,251	-	-	9,672	9,672	(16,067)	
Total Primary Government	\$ 44,499,142	\$ 559,752	\$ 9,386,243	\$ -	(34,562,819)	9,672	(34,553,147)	(29,518,623)	
GENERAL REVENUES									
Property Taxes Levied for General Purposes					30,990,642	-	30,990,642	29,218,415	
Earned Income Taxes Levied for General Purposes					3,498,753	-	3,498,753	3,342,155	
Other Taxes					715,455	-	715,455	449,205	
Grants and Entitlements Not Restricted to Specific Programs					4,335,411	-	4,335,411	4,017,443	
Gain on Sale of Capital Assets					47,849	-	47,849	56,823	
Investment Earnings					3,720,438	32,358	3,752,796	3,270,203	
Total General Revenues					43,308,548	32,358	43,340,906	40,354,244	
CHANGES IN NET POSITION					8,745,729	42,030	8,787,759	10,835,621	
Net Position - Beginning of Year					32,562,660	24,048	32,586,708	21,751,087	
NET POSITION - END OF YEAR					\$ 41,308,389	\$ 66,078	\$ 41,374,467	\$ 32,586,708	

See accompanying Notes to Basic Financial Statements.

**PEQUEA VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)**

	Major Funds		Nonmajor Fund	Totals	
	General	Capital	Capital		
	Fund	Projects	Reserve	2025	2024
		Fund	Fund		
ASSETS					
Cash	\$ 34,976,868	\$ 33,216	\$ 948,975	\$ 35,959,059	\$ 32,255,735
Cash Held in Escrow	3,101,729	-	-	3,101,729	3,063,294
Investments	-	9,918,769	-	9,918,769	31,076,714
Taxes Receivable	1,124,546	-	-	1,124,546	1,093,703
Due from Other Funds	995,994	-	-	995,994	1,486,148
Due from Other Governments	1,552,195	-	-	1,552,195	2,112,806
Other Receivables	724,436	5,789	-	730,225	139,288
Prepaid Items	1,828	-	-	1,828	6,578
Total Assets	<u>\$ 42,477,596</u>	<u>\$ 9,957,774</u>	<u>\$ 948,975</u>	<u>\$ 53,384,345</u>	<u>\$ 71,234,266</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 733,203	\$ 2,967,795	\$ 116,805	\$ 3,817,803	\$ 3,905,926
Due to Other Funds	-	-	-	-	1,023,346
Accrued Salaries, Payroll					
Withholdings, and Benefits	3,129,326	-	-	3,129,326	3,130,562
Due to Other Governments	1,235,784	-	-	1,235,784	948,078
Unearned Revenues	43,434	-	-	43,434	186,814
Total Liabilities	<u>5,141,747</u>	<u>2,967,795</u>	<u>116,805</u>	<u>8,226,347</u>	<u>9,194,726</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Property Taxes	305,587	-	-	305,587	335,168
FUND BALANCES					
Nonspendable:					
Prepaid Items	1,828	-	-	1,828	6,578
Restricted for:					
Capital Projects	-	6,989,979	832,170	7,822,149	29,070,403
Committed to:					
Future Capital Projects	33,250,000	-	-	33,250,000	28,950,000
Unassigned	3,778,434	-	-	3,778,434	3,677,391
Total Fund Balances	<u>37,030,262</u>	<u>6,989,979</u>	<u>832,170</u>	<u>44,852,411</u>	<u>61,704,372</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 42,477,596</u>	<u>\$ 9,957,774</u>	<u>\$ 948,975</u>	<u>\$ 53,384,345</u>	<u>\$ 71,234,266</u>

See accompanying Notes to Basic Financial Statements.

**PEQUEA VALLEY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION
JUNE 30, 2025**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Funds	\$ 44,852,411
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	117,544,504
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	3,451,453
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources on the governmental funds balance sheet.	305,587
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(342,299)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	<u>(124,503,267)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position	<u><u>\$ 41,308,389</u></u>

PEQUEA VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Funds		Nonmajor Fund	Totals	
	General Fund	Capital Projects Fund	Capital Reserve Fund	2025	2024
REVENUES					
Local Sources	\$ 37,806,731	\$ 1,672,153	\$ 35,530	\$ 39,514,414	\$ 36,775,926
State Sources	9,954,377	-	-	9,954,377	9,624,255
Federal Sources	2,759,945	-	-	2,759,945	5,712,988
Total Revenues	50,521,053	1,672,153	35,530	52,228,736	52,113,169
EXPENDITURES					
Current:					
Instruction	24,067,420	-	-	24,067,420	22,830,303
Support Services	16,087,828	611,014	191,679	16,890,521	14,775,715
Operation of Noninstructional Services	1,129,497	-	-	1,129,497	1,053,316
Facilities Acquisition, Construction, and Improvement Services	252,951	21,854,482	298,762	22,406,195	42,191,449
Debt Service	4,634,913	-	-	4,634,913	4,814,173
Total Expenditures	46,172,609	22,465,496	490,441	69,128,546	85,664,956
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,348,444	(20,793,343)	(454,911)	(16,899,810)	(33,551,787)
OTHER FINANCING SOURCES (USES)					
Sale of/Compensation for Capital Assets	47,849	-	-	47,849	56,823
Refund of Prior Year Receipts	-	-	-	-	(57,895)
Transfers In	-	-	-	-	1,000,000
Transfers Out	-	-	-	-	(1,002,705)
Total Other Financing Sources (Uses)	47,849	-	-	47,849	(3,777)
NET CHANGE IN FUND BALANCES	4,396,293	(20,793,343)	(454,911)	(16,851,961)	(33,555,564)
Fund Balances -Beginning of Year	32,633,969	27,783,322	1,287,081	61,704,372	95,259,936
FUND BALANCES - END OF YEAR	<u>\$ 37,030,262</u>	<u>\$ 6,989,979</u>	<u>\$ 832,170</u>	<u>\$ 44,852,411</u>	<u>\$ 61,704,372</u>

See accompanying Notes to Basic Financial Statements.

**PEQUEA VALLEY SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Governmental Funds \$ (16,851,961)

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and the net book value of disposed capital assets in the current period.

Capital Outlay Expenditures	\$ 24,679,038	
Net Book Value of Disposed Capital Assets	(256,682)	
Depreciation Expense	<u>(2,211,528)</u>	22,210,828

Because some property taxes will not be collected for several months after the District's fiscal year-ends, they are not considered as available revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred Inflows of Resources June 30, 2024	(335,168)	
Deferred Inflows of Resources June 30, 2025	<u>305,587</u>	(29,581)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts, and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of Bonds Payable	1,700,000	
Repayment of Leases and Subscription Right-to-Use Payables	134,913	
Amortization of Bond Discounts and Premiums	<u>261,698</u>	2,096,611

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures on governmental funds.

Current Year Change in Accrued Interest Payable	6,623	
Change in Net Pension Liability and Related Deferred Inflows and Outflows	1,897,829	
Current Year Change in Accrued Retirement Bonuses	10,536	
Current Year Change in Compensated Absences	(623,018)	
Current Year Change in Net Postemployment Benefit (OPEB) Liability and Related Deferred Inflows and Outflows	<u>27,862</u>	<u>1,319,832</u>

Change in Net Position of Governmental Activities as Reported on the Statement of Activities		<u><u>\$ 8,745,729</u></u>
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See accompanying Notes to Basic Financial Statements.

PEQUEA VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
CURRENT ASSETS		
Cash	\$ 1,303,041	\$ 857,662
Other Receivables	3,308	1,227
Due from Other Governments	113,676	990
Inventories	29,343	31,086
Total Current Assets	1,449,368	890,965
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges OPEB - Single Employer	7,204	9,071
Deferred Charges on Proportionate Share of OPEB - PSERS	1,797	2,931
Deferred Charges on Proportionate Share of Pension - PSERS	54,221	66,291
Total Deferred Outflows of Resources	63,222	78,293
CURRENT LIABILITIES		
Accrued Salaries, Payroll Withholdings, and Benefits	1,380	297
Due to Other Funds	995,995	462,802
Total Current Liabilities	997,375	463,099
NONCURRENT LIABILITIES		
Net Pension Liability - PSERS	385,484	412,834
Net OPEB Liability - PSERS	16,255	16,717
Net OPEB Liability - Single Employer	17,451	17,808
Total Noncurrent Liabilities	419,190	447,359
Total Liabilities	1,416,565	910,458
DEFERRED INFLOWS OF RESOURCES		
Deferred Credits OPEB - Single Employer	14,377	14,652
Deferred Credits on Proportionate Share of OPEB - PSERS	3,480	4,120
Deferred Credits on Proportionate Share of Pension - PSERS	12,090	15,980
Total Deferred Inflows of Resources	29,947	34,752
NET POSITION (DEFICIT)		
Unrestricted	66,078	24,048
Total Net Position	\$ 66,078	\$ 24,048

See accompanying Notes to Basic Financial Statements.

PEQUEA VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
OPERATING REVENUES		
Food Service Revenue	\$ 65,230	\$ 98,829
OPERATING EXPENSES		
Salaries	135,995	126,113
Employee Benefits	80,134	76,388
Purchased Professional and Technical Services	326,814	282,210
Purchased Property Services	18,111	20,267
Other Purchased Services	1,298	946
Supplies	442,457	401,352
Depreciation	-	9,597
Total Operating Expenses	1,004,809	916,873
OPERATING LOSS	(939,579)	(818,044)
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	32,358	34,557
State Sources	77,251	92,021
Federal Sources	872,000	709,956
Total Nonoperating Revenues (Expenses)	981,609	836,534
CHANGE IN NET POSITION BEFORE TRANSFERS	42,030	18,490
Transfers	-	2,705
CHANGE IN NET POSITION	42,030	21,195
Net Position - Beginning of Year	24,048	2,853
NET POSITION - END OF YEAR	<u>\$ 66,078</u>	<u>\$ 24,048</u>

See accompanying Notes to Basic Financial Statements.

PEQUEA VALLEY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Charges for Services	\$ 63,150	\$ 91,991
Cash Payments to Employees for Services	300,243	(226,297)
Cash Payments to Suppliers for Goods and Services	(737,288)	(663,951)
Net Cash Used by Operating Activities	(373,895)	(798,257)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	70,673	100,269
Federal Sources	716,243	729,577
Transfers In	-	2,705
Net Cash Provided by Noncapital Financing Activities	786,916	832,551
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on Investments	32,358	34,557
NET CHANGE IN CASH	445,379	68,851
Cash - Beginning of Year	857,662	788,811
CASH - END OF YEAR	<u>\$ 1,303,041</u>	<u>\$ 857,662</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (939,579)	\$ (818,044)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	-	9,597
Donated Commodities Used	49,649	44,007
(Increase) Decrease in:		
Other Receivables	(2,080)	(1,227)
Inventories	1,743	(3,012)
Deferred Outflows of Resources	15,071	435
Increase (Decrease) in:		
Accounts Payable	-	(171)
Accrued Salaries, Payroll Withholdings, and Benefits	1,083	64
Due to Other Funds	533,192	(11,075)
Unearned Revenues	-	(5,611)
Deferred Inflows of Resources	(4,805)	(6,188)
Net Pension Liability	(27,350)	(7,301)
Net OPEB Liability	(819)	269
Net Cash Used by Operating Activities	<u>\$ (373,895)</u>	<u>\$ (798,257)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH NONCAPITAL FINANCING ACTIVITY		
USDA Donated Commodities	<u>\$ 49,649</u>	<u>\$ 44,007</u>

See accompanying Notes to Basic Financial Statements.

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 ORGANIZATION AND PURPOSE

Pequea Valley School District (the District) operates two elementary schools, one middle school, and one high school to provide education and related services to the residents in the Townships of Leacock, Paradise, and Salisbury. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the School Board).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

GASB has established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This 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 as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects* Fund accounts for financial resources restricted, committed, or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements, and/or equipment.

The District also reports the following nonmajor fund:

The *Capital Reserve* Fund accounts for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. The District considers federal, state and other grant revenues to be available if they can be used to finance with the current fiscal period or one year. Deferred inflows of resources are reported in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other postemployment benefits, and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The *Food Service* Fund accounts for the revenues and costs of providing meals to students during the school year.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements of Assets and Liabilities (Continued)

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	-	Discount period, 2% of gross levy
September 1 – October 31	-	Face period
November 1 to collection	-	Penalty period, 10% of gross levy
January 1	-	Lien date

The County Board of Assessments determines assessed valuations of property and the Lancaster County Tax Collection Bureau bills and collects the District's property taxes. The tax on real estate for public school purposes for fiscal 2024-2025 was 16.7860 mills (\$16.7860 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$4,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20 Years
Buildings and Improvements	20 to 40 Years
Furniture and Equipment	5 to 12 Years
Vehicles	5 to 10 Years

Leases and Subscriptions

The District has entered into noncancellable leases and subscriptions. The District recognizes a lease or a subscription liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases and Subscriptions (Continued)

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

The District uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

The lease or subscription term includes the noncancellable period of the lease or subscription. Lease and subscription payments included in the measurement of the lease or subscription liability is comprised of fixed payments.

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

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2025.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal, and sick days. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more-likely-than-not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

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

Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing, multiemployer defined benefit pension plan. GASB establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

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

Other Postemployment Benefits (OPEB)

The District's OPEB plans are accounted for under the provisions of GASB establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

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

District OPEB Plan

The District sponsors a single-employer defined benefit OPEB plan. The OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows for Pension and OPEB

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

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

Deferred Inflows for Pension and OPEB

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

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows for Pension and OPEB (Continued)

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the Chief of Finance and Operations, (b) an appointed body (e.g., finance committee), or (c) an official to which the District has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, or unassigned—in order as needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Use of Estimates

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

New Accounting Pronouncements

Effective July 1, 2024, the District adopted the provisions of GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*.

The objective of GASB Statement No 101 is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more-likely-than-not to be used for time off or otherwise paid in cash or settled through noncash means. The implementation of GASB Statement No. 101 impacted how the District measured its compensated absences in the government-wide and proprietary financial statements of the District for the year ended June 30, 2025. The implementation of GASB Statement No. 101 increased liabilities and expenses in the government-wide financial statements of the District for the year ended June 30, 2025.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

The objective of GASB Statement No. 102 is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to substantial impact. As a result, users have better information with which to understand and anticipate certain risks to a government's financial condition. The implementation of GASB Statement No. 102 had no impact on the financial statements of the District for the year ended June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 104 is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

GASB Statement No. 105, *Subsequent Events*, will be effective for the District for the year ended June 30, 2027. The objective of GASB Statement No. 105 is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in a newspaper of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Budgetary Information (Compliance)

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Excess of Expenditures and Other Financing Uses Over Appropriations

The following General Fund functions and uses incurred expenditures and other financing uses in excess of appropriations in the following amounts for the year ended June 30, 2025:

Other Instructional Programs	\$ 54,805
Pre-Kindergarten	113,497
Pupil Support Services	113,502
Instructional Staff Services	601,098
Pupil Health	114,389
Business Services	123,839
Operation and Maintenance of Plant Services	758,369
Student Transportation Services	48,421
Other Support Services	27,165
Student Activities	218,819
Facilities Acquisition, Construction, and Improvement Services	252,951

NOTE 4 DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools, or mutual funds.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2025, the carrying amount of the District's deposits was \$40,363,829 and the bank balance was \$41,097,411. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$500,000 was covered by federal depository insurance and \$13,336,561 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net assets value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2025, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

Cash Held in Escrow

The District was required by Leacock Township to obtain a letter of credit for 100% of the estimated construction costs for the completion of stormwater facilities for the construction of the new middle/high school. The letter of credit is in an account with a financial institution in the name of the District and totaled \$3,101,729 as of June 30, 2025. As construction is completed the letter of credit will be reduced.

Investments

At June 30, 2025, the District had the following investments:

Investments Due Within One Year:

U.S. Treasury and Agency Securities	<u><u>\$ 9,918,769</u></u>
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U.S. Treasury and agency securities were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2025.

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated/				
Amortized:				
Land	\$ 598,048	\$ -	\$ -	\$ 598,048
Construction in Progress	64,831,638	22,666,366	172,180	87,325,824
Total Capital Assets Not Being Depreciated/Amortized	65,429,686	22,666,366	172,180	87,923,872
Capital Assets Being Depreciated				
Land Improvements	2,436,177	-	-	2,436,177
Buildings and Improvements	67,803,424	36,070	-	67,839,494
Right-to-Use Lease Assets	344,053	-	-	344,053
Right-to-Use Subscription Assets	317,935	-	-	317,935
Furniture and Equipment	7,444,613	1,963,102	722,579	8,685,136
Vehicles	434,377	13,500	17,614	430,263
Total Capital Assets Being Depreciated	78,780,579	2,012,672	740,193	80,053,058
Less: Accumulated Depreciation for:				
Land Improvements	(1,776,872)	(83,288)	-	(1,860,160)
Buildings and Improvements	(40,745,940)	(1,733,536)	-	(42,479,476)
Right-to-Use Lease Assets	(313,121)	(30,932)	-	(344,053)
Right-to-Use Subscription Assets	(154,286)	(54,549)	-	(208,835)
Furniture and Equipment	(5,665,389)	(280,668)	(641,893)	(5,304,164)
Vehicles	(220,981)	(28,555)	(13,798)	(235,738)
Total Accumulated Depreciation	(48,876,589)	(2,211,528)	(655,691)	(50,432,426)
Total Capital Assets Being Depreciated, Net	29,903,990	(198,856)	84,502	29,620,632
Governmental Activities Capital Assets, Net	\$ 95,333,676	\$ 22,467,510	\$ 256,682	\$ 117,544,504

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery And Equipment	\$ 775,870	\$ -	\$ 775,870	\$ -
Less: Accumulated Depreciation	(775,870)	-	(775,870)	-
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Instruction	\$ 1,393,496
Instructional Student Support	302,027
Administrative and Financial Support Services	193,187
Operation and Maintenance of Plan Services	259,945
Nonstructional Services	<u>62,873</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,211,528</u>

As of June 30, 2025, the District had outstanding construction commitments related to the new Middle/High School project totaling \$1,473,958.

NOTE 6 INTERNAL RECEIVABLES AND PAYABLES

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

Receivable To	Amount	Payable From	Amount
General Fund	<u>\$ 995,994</u>	Food Service Fund	<u>\$ 995,994</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds Payable	\$ 78,500,000	\$ -	\$ 1,700,000	\$ 76,800,000	\$ 1,755,000
Bond Premiums	4,229,036	-	281,638	3,947,398	275,590
Bond Discounts	(398,549)	-	(19,940)	(378,609)	(19,640)
Total General Obligation Debt	82,330,487	-	1,961,698	80,368,789	2,010,951
Other Noncurrent Liabilities:					
Accrued Retirement Bonuses	868,035	-	10,536	857,499	-
Compensated Absences	1,036,008	623,018	-	1,659,026	414,757
Right-to-Use Leases Payable	89,570	-	82,542	7,028	7,028
Right-to-Use Subscriptions Payable	163,481	-	52,371	111,110	54,466
Net Pension Liability - PSERS	40,870,527	-	2,707,608	38,162,919	-
OPEB Liability	1,762,958	-	35,268	1,727,690	113,553
Net OPEB Liability - PSERS	1,651,008	-	41,803	1,609,205	-
Total Other Noncurrent Liabilities	46,441,587	623,018	2,930,128	44,134,477	589,804
Total Governmental Activities	128,772,074	623,018	4,891,826	124,503,266	2,600,754
Business-Type Activities:					
Net Pension Liability - PSERS	412,834	-	27,350	385,484	-
Net OPEB Liability - PSERS	16,717	-	462	16,255	-
OPEB Liability	17,808	-	356	17,452	-
Total Business-Type Activities	447,359	-	28,168	419,191	-
Total Noncurrent Liabilities	<u>\$ 129,219,433</u>	<u>\$ 623,018</u>	<u>\$ 4,919,994</u>	<u>\$ 124,922,457</u>	<u>\$ 2,600,754</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

General obligation debt outstanding as of June 30, 2025, consisted of the following:

Description	Interest Rate(s)	Issue Amount	Final Maturity	Principal Outstanding
General Obligation Bonds:				
Series of 2021	1.000% - 4.00%	\$ 55,400,000	05/15/2049	\$ 47,955,000
Series of 2022	3.375% - 4.00%	29,265,000	05/15/2052	28,845,000
Total General Obligation Debt				<u>\$ 76,800,000</u>

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 NONCURRENT LIABILITIES (CONTINUED)

Annual debt service requirements to maturity on these obligations is as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2026	\$ 1,755,000	\$ 2,738,381	\$ 4,493,381
2027	1,810,000	2,683,181	4,493,181
2028	1,885,000	2,610,781	4,495,781
2029	1,960,000	2,535,381	4,495,381
2030	2,035,000	2,456,981	4,491,981
2031-2035	11,370,000	11,100,306	22,470,306
2036-2040	13,295,000	9,171,644	22,466,644
2041-2045	15,530,000	6,936,763	22,466,763
2046-2050	18,655,000	3,813,000	22,468,000
2051-2053	8,505,000	481,313	8,986,313
Total	<u>\$ 76,800,000</u>	<u>\$ 44,527,731</u>	<u>\$ 121,327,731</u>

NOTE 8 LEASES PAYABLE

The District has entered into a 72-month lease as a lessee for the use of multi-function devices. An initial lease liability was recorded in the amount of \$344,053. As of June 30, 2025, the value of the lease liability is \$7,028. The District is required to make monthly fixed payments of \$7,052. The lease has an imputed interest rate of 4.00% and a useful life of five years at contract commencement. The value of the right-to-use asset as of June 30, 2025 was \$-0- net of accumulated amortization of \$344,053 and is included with noncurrent assets on the statement of net position.

The net present value of minimum noncancelable lease payments under these lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 7,028</u>	<u>\$ 24</u>	<u>\$ 7,052</u>

NOTE 9 SUBSCRIPTIONS PAYABLE

The District has entered into long-term lease agreements for subscription-based information technology arrangements. Initial subscription liabilities were recorded in the amount of \$317,935. As of June 30, 2025, the value of the subscription liabilities is \$111,110. The District is required to make annual fixed payments ranging from \$9,760 to \$58,910. The subscriptions payable have an imputed interest rate of 4.00% and a useful lives ranging from three to five years at contract commencement. The value of the right-to-use asset as of June 30, 2025, of \$109,100, net of accumulated amortization of \$208,835, and is included with noncurrent assets on the statement of net position (deficit).

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 SUBSCRIPTIONS PAYABLE (CONTINUED)

The net present value of minimum noncancelable lease payments under these lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 54,466	\$ 4,444	\$ 58,910
2027	56,644	2,266	58,910
Total	<u>\$ 111,110</u>	<u>\$ 6,710</u>	<u>\$ 117,820</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

Plan Description

The District's other postemployment benefits include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2023:

Active Plan Members	168
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	9
Total	<u>177</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Single-Employer Defined Benefit OPEB Plan (Continued)

OPEB Liability

The District's OPEB liability has been measured as of July 1, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, and by rolling forward the liabilities from the July 1, 2023 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end. The OPEB liability is \$1,745,142, all of which is unfunded. As of June 30, 2025, the OPEB liability of \$1,727,690 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$17,452 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

The District's change in its OPEB liability for the year ended June 30, 2025 was as follows:

Balance as of July 1, 2023	\$ 1,780,766
Changes for the Year:	
Service Cost	93,810
Interest on Total OPEB Liability	75,460
Differences Between Expected and Actual Experience	(113,429)
Changes of Assumptions	(3,868)
Benefit Payments	(87,597)
Net Changes	<u>(35,624)</u>
Balance as of July 1, 2024	<u><u>\$ 1,745,142</u></u>

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$120,459. At June 30, 2025, the District had deferred inflows of resources and deferred outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	\$ 500,574	\$ 468,774
Changes of Assumptions	222,887	968,966
Contributions Subsequent to the Measurement Date	113,553	-
Total	<u><u>\$ 837,014</u></u>	<u><u>\$ 1,437,740</u></u>

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Single-Employer Defined Benefit OPEB Plan (Continued)

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

Contributions of \$113,553 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 OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense Amount</u>
2026	\$ (39,788)
2027	(39,788)
2028	(39,788)
2029	(39,788)
2030	(39,787)
Thereafter	(515,340)
Total	<u>\$ (714,279)</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2025, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 1,572,316</u>	<u>\$ 1,745,142</u>	<u>\$ 1,948,329</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease 3.29%</u>	<u>Current Discount Rate 4.29%</u>	<u>1% Increase 5.29%</u>
OPEB Liability	<u>\$ 1,881,520</u>	<u>\$ 1,745,142</u>	<u>\$ 1,615,863</u>

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Single-Employer Defined Benefit OPEB Plan (Continued)

Actuarial Methods and Significant Assumptions

The OPEB liability as of June 30, 2025, was determined by rolling forward the OPEB liability as of July 1, 2024 to June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry age normal
- Discount Rate – 4.13% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 4.13% to 4.29%.
- Salary Growth – Salary increases are composed of 2.50% cost-of-living adjustment, 1.50% for real wage growth and for teachers and administrators a merit increase which varies by age from 2.75% to 0.00%.
- Assumed Healthcare Cost Trends – 7.00% in 2024 with 0.50% decrease per year Until 5.50% in 2027. Rates gradually decrease from 5.40% in 2028 to 4.100% in 2075 and later.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers and PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

Cost-Sharing, Multiemployer Defined Benefit OPEB Plan

Plan Description

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

Retirees of PSERS can participate in the health insurance 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

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing, Multiemployer Defined Benefit OPEB Plan (Continued)

Plan Description (Continued)

For Class DC members to become eligible for health insurance 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.

Benefits Provided

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

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 \$91,326 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 \$1,625,460 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 PSERS' 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 0.0915%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2024. As of June 30, 2025, the OPEB liability of \$1,609,205 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$16,255 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing, Multiemployer Defined Benefit OPEB Plan (Continued)

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

For the year ended June 30, 2025, the District recognized net OPEB expense of \$57,000. 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	\$ 6,000	\$ 24,000
Changes of Assumptions	99,000	248,000
Net Difference Between Projected and Actual Investment Earnings	1,000	-
Changes in Proportions	23,000	76,000
Contributions Subsequent to the Measurement Date	91,326	-
Total	<u>\$ 220,326</u>	<u>\$ 348,000</u>

Contributions of \$91,326 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2026	\$ (49,000)
2027	(65,000)
2028	(79,000)
2029	(17,000)
2030	(9,000)
Total	<u>\$ (219,000)</u>

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing, Multiemployer Defined Benefit OPEB Plan (Continued)

Actuarial Assumptions

The OPEB liability as of June 30, 2024, was determined by rolling forward the PSERS' 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% - Standard & Poors 20 year municipal bond rate. The discount rate changed from 4.13% to 4.21%
- Salary Growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

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

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

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing, Multiemployer Defined Benefit OPEB Plan (Continued)

Actuarial Assumptions (Continued)

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 health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation Percent	Long-Term Expected Real Rate of Return Percent
Cash	100.00 %	1.70 %

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

Discount Rate

The discount rate used to measure the OPEB liability was 4.21%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.21% which represents the Standard & Poor's 20-year municipal bond rate at June 30, 2024, was applied to all projected benefit payments to measure the total net OPEB liability.

Sensitivity of District's Proportionate Share 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 health insurance premium assistance. As of June 30, 2025, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing, Multiemployer Defined Benefit OPEB Plan (Continued)

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates (Continued)

The following presents the net OPEB liability for June 30, 2025, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 1,625,316</u>	<u>\$ 1,625,460</u>	<u>\$ 1,625,576</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 4.21% 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 (5.21%) than the current rate:

	<u>1% Decrease 3.21%</u>	<u>Current Discount Rate 4.21%</u>	<u>1% Increase 5.21%</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 1,836,276</u>	<u>\$ 1,625,460</u>	<u>\$ 1,448,912</u>

OPEB Plan Fiduciary Net Position

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

PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 PENSION PLAN

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three 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 1.00% to 2.50%, 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 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, 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

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 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%
				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%

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

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Contributions

Employer Contributions

The District's contractually required contribution rate for 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 plan from the District were \$4,772,128 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$38,548,403 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 PSERS' total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.0921%, which was an decrease of 0.0007% from its proportion measured as of June 30, 2024. As of June 30, 2025, the net pension liability of \$38,162,919 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$385,484 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2025, the District recognized pension expense of \$2,889,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 606,000
Net Difference Between Projected and Actual Investment Earnings	638,000	-
Changes in Proportions	12,000	603,000
Contributions Subsequent to the Measurement Date	4,772,128	-
Total	<u>\$ 5,422,128</u>	<u>\$ 1,209,000</u>

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

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

Contributions of \$4,772,128 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (1,275,000)
2027	750,000
2028	94,000
2029	(128,000)
Total	<u>\$ (559,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2024 was determined by rolling forward PSERS' total pension liability at 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.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial valuation 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The 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 Percent	Long-Term Expected Real Rate of Return Percent
Global Public Equity	30.00 %	4.80 %
Private Equity	12.00	6.70
Fixed Income	33.50	3.90
Commodities	5.00	2.50
Infrastructure/MLPs	10.00	6.40
Real Estate	9.50	5.90
Total	100.00 %	

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

Discount Rate

The discount 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 net pension liability.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

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

The following represents 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:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's Proportionate Share of the Net Pension Liability	<u>\$ 50,779,998</u>	<u>\$ 38,548,403</u>	<u>\$ 28,219,686</u>

Pension Plan Fiduciary Net Position

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

NOTE 12 JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Joint Ventures

Lancaster County Career and Technology Center

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center (LCCTC). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2024-2025 was \$473,716.

Lancaster County Career and Technology Center Authority

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the Authority). The Authority oversees acquiring, holding, constructing, improving, and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2024-2025 was \$57,419.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION (CONTINUED)

Joint Ventures (Continued)

Lancaster County Career and Technology Center Authority (Continued)

On September 20, 2011, the Authority authorized the issuance of Guaranteed Lease Revenue Bonds (the Revenue Bonds), in the maximum aggregate principal amount of \$43,000,000 to provide funds for the renovations and additions to the Brownstown, Mount Joy, and Willow Street campuses of the LCCTC and pay for the costs of issuance. The District and the 15 Lancaster County school districts have entered into a long-term lease agreement with the Authority stipulating that each school district pay its proportionate share of the lease rentals in order to retire the Revenue Bonds based on real estate market values as set forth in the LCCTC organization agreement. The Revenue Bonds were issued in three different series over three years. The amount of each series was not to exceed \$10,000,000 without the participating school districts' approval. On June 29, 2012, the Authority issued the first of three series in the total amount of \$9,995,000 which was refinanced in February 2018. On September 20, 2013, the Authority issued the second of three series in the total amount of \$9,995,000 which was refinanced in February 2017 and on July 9, 2014, the Authority issued the final of the three series in the total amount of \$3,900,000. On June 1, 2020, the Authority refinanced its Series of 2013 and Series of 2014 Revenue Bonds by issuing the Series of 2020 Revenue Bonds in the amount of \$11,145,000. The District's estimated lease rental obligations for minimum rental payments related to the issued debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 57,719
2027	57,326
2028	56,982
2029	56,612
2030-2024	280,296
2025-2037	167,306
Total	<u><u>\$ 676,241</u></u>

Both the LCCTC and the Authority prepare financial statements that are available to the public from their administrative office located at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION (CONTINUED)

Jointly Governed Organizations

Lancaster-Lebanon Intermediate Unit

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the LLIU). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU, but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services; and federal liaison services. During 2024-2025, the District contracted with the LLIU for special education services which totaled \$1,382,297.

Lancaster-Lebanon Joint Authority

The District and the other Lancaster and Lebanon County school district are also participating members of the Lancaster-Lebanon Joint Authority (the Authority). The Authority oversees acquiring, holding, constructing, improving, and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2024-2025, the District did not have any financial transactions with the Authority. Both the LLIU and the Authority prepare financial statements that are available to the public from their administrative office located at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the Bureau) for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The District contracts with the Bureau for the collection of property and earned income taxes. During 2024-2025, the District contracted with the Bureau for tax collection services which totaled \$55,675.

Lancaster County Academy

The Lancaster County Academy (the Academy) is an alternative public school organized by the District and other Lancaster County school districts to provide services in the County. Each of the participating school districts appoints one member to serve on the joint operating committee. The District is considered to have an ongoing financial responsibility to fund the operations of the Academy.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 13 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

NOTE 14 RISK MANAGEMENT

Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses, and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District was limited in liability to \$100,000 per individual and \$3,515,705 in total for self-insurance medical claims for the year ended June 30, 2025.

The District has recorded a liability in the General Fund for claims incurred through June 30, 2025 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Insurance Claims Liability - Beginning of Year	\$ 154,740	\$ 237,290
Current Year Insurance Claims, Fees and Changes		
Bin Estimates	3,294,329	2,798,741
Insurance Claims and Fees Paid	(3,213,892)	(2,881,291)
Insurance Claims Liability - End of Year	<u>\$ 235,177</u>	<u>\$ 154,740</u>

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RISK MANAGEMENT (CONTINUED)

Property and Liability

The District and 15 participating member school districts, the LLIU, the Lancaster County Academy, and the LCCTC participate in the Lancaster-Lebanon Public Schools Insurance Pool (the Pool), which is a public entity risk pool currently operating as a common risk management and insurance program. The District and the other participating members pay an annual premium to the Pool for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the pools insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Pool, that the Pool will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the Pool against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance. As of June 30, 2025, the District is not aware of any additional assessments relating to the Pool.

Workers' Compensation

The District and 16 participating member school districts, the LLIU, and Lancaster County Academy participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2025, the District is not aware of any additional assessments relating to this Fund.

Other Risks

The District is exposed to other risks of loss, including errors and omissions. The District has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

REQUIRED SUPPLEMENTARY INFORMATION

PEQUEA VALLEY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 34,359,273	\$ 34,359,273	\$ 37,806,731	\$ 3,447,458
State Sources	9,779,428	9,779,428	9,954,377	174,949
Federal Sources	1,859,045	1,859,045	2,759,945	900,900
Total Revenues	45,997,746	45,997,746	50,521,053	4,523,307
EXPENDITURES				
Instruction:				
Regular Programs	16,818,291	16,818,291	16,258,866	559,425
Special Programs	7,447,708	7,447,708	6,162,434	1,285,274
Vocational Programs	899,146	899,146	892,977	6,169
Other Instructional Programs	499,881	499,881	554,686	(54,805)
Nonpublic School Programs	107,845	107,845	84,960	22,885
Pre-Kindergarden	-	-	113,497	(113,497)
Total Instruction	25,772,871	25,772,871	24,067,420	1,705,451
Support Services:				
Pupil Support Services	1,877,435	1,877,435	1,990,937	(113,502)
Instructional Staff Services	1,981,999	1,981,999	2,583,097	(601,098)
Administrative Services	2,362,535	2,362,535	2,193,199	169,336
Pupil Health	527,968	527,968	642,357	(114,389)
Business Services	839,784	839,784	963,623	(123,839)
Operation and Maintenance of Plant Services	3,731,201	3,731,201	4,489,570	(758,369)
Student Transportation Services	2,967,197	2,967,197	3,015,618	(48,421)
Support Services - Central	286,811	286,811	179,762	107,049
Other Support Services	2,500	2,500	29,665	(27,165)
Total Support Services	14,577,430	14,577,430	16,087,828	(1,510,398)
Operation of Noninstructional Services:				
Student Activities	867,082	867,082	1,085,901	(218,819)
Community Services	61,519	61,519	43,596	17,923
Total Operation of Noninstructional Services	928,601	928,601	1,129,497	(200,896)
Facilities Acquisition, Construction, and Improvement Services	-	-	252,951	(252,951)
Debt Service	4,718,844	4,718,844	4,634,913	83,931
Total Expenditures	45,997,746	45,997,746	46,172,609	(174,863)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	4,348,444	4,348,444
OTHER FINANCING SOURCES (USES)				
Sale of/Compensation for Capital Assets	-	-	47,849	47,849
NET CHANGE IN FUND BALANCE	\$ -	\$ -	4,396,293	\$ 4,396,293
Fund Balance - Beginning of Year			32,633,969	
FUND BALANCE - END OF YEAR			<u>\$ 37,030,262</u>	

PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS
LAST TEN YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	Measurement Date									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.0921 %	0.0928 %	0.0945 %	0.0944 %	0.0983 %	0.0958 %	0.0930 %	0.0924 %	0.0886 %	0.0852 %
District's Proportionate Share of the Net Pension Liability	\$ 38,548,403	\$ 41,283,361	\$ 42,013,492	\$ 38,758,000	\$ 48,410,600	\$ 44,818,600	\$ 44,645,000	\$ 45,635,000	\$ 43,907,000	\$ 36,905,000
District's Covered-Employee Payroll	\$ 14,530,618	\$ 14,163,162	\$ 13,852,058	\$ 13,344,003	\$ 13,773,863	\$ 13,214,541	\$ 12,520,972	\$ 12,291,107	\$ 11,480,587	\$ 10,967,393
District's Proportionate Share of of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	265.29 %	291.48 %	303.30 %	290.45 %	351.47 %	339.16 %	356.56 %	371.28 %	382.45 %	336.50 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.63 %	61.85 %	61.34 %	63.67 %	54.32 %	5566.00 %	54.00 %	51.84 %	50.14 %	54.36 %

PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS
LAST TEN YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	Measurement Date									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 4,772,128	\$ 4,836,213	\$ 4,859,748	\$ 4,739,000	\$ 4,482,000	\$ 4,608,000	\$ 4,326,000	\$ 3,974,000	\$ 3,675,000	\$ 2,818,386
Contributions in Relation to the Contractually Required Contribution	4,772,128	4,836,213	4,859,748	4,739,000	4,482,000	4,608,000	4,326,000	3,974,000	3,675,000	2,818,386
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 14,496,136	\$ 14,530,618	\$ 14,163,162	\$ 13,850,958	\$ 13,344,003	\$ 13,773,863	\$ 13,214,541	\$ 12,520,972	\$ 12,291,107	\$ 11,480,587
Contributions as a Percentage of Covered-Employee Payroll	32.92 %	33.36 %	34.31 %	34.21 %	33.59 %	33.45 %	32.74 %	31.74 %	29.90 %	24.55 %

PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY – SINGLE EMPLOYER PLAN
LAST EIGHT YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:								
Service Cost	\$ 93,810	\$ 87,906	\$ 197,086	\$ 198,590	\$ 168,187	\$ 169,959	\$ 91,005	\$ 90,485
Interest on Total OPEB Liability	75,460	70,292	69,553	55,425	83,894	72,136	40,594	32,812
Changes of Benefit Terms	-	-	-	-	210,030	-	-	-
Differences Between Expected and Actual Experience	(113,429)	-	(271,969)	-	(240,899)	-	1,001,151	-
Change of Assumptions	(3,868)	19,905	(1,113,879)	(91,093)	319,355	(75,276)	(971)	1,728
Benefit Payments	(87,597)	(88,950)	(93,133)	(87,763)	(88,228)	(89,648)	(83,837)	(220,267)
Net Change in Total OPEB Liability	(35,624)	89,153	(1,212,342)	75,159	452,339	77,171	1,047,942	(95,242)
Total OPEB Liability - Beginning	1,780,766	1,691,613	2,903,955	2,828,796	2,376,457	2,299,286	1,251,344	1,346,586
Total OPEB Liability - Ending	<u>\$ 1,745,142</u>	<u>\$ 1,780,766</u>	<u>\$ 1,691,613</u>	<u>\$ 2,903,955</u>	<u>\$ 2,828,796</u>	<u>\$ 2,376,457</u>	<u>\$ 2,299,286</u>	<u>\$ 1,251,344</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	- %	- %	- %	- %	- %	- %	- %	- %
Covered Payroll	\$ 14,012,338	\$ 13,856,065	\$ 13,856,065	\$ 13,139,464	\$ 13,139,463	\$ 12,797,939	\$ 12,797,939	\$ 10,000,537
Net OPEB Liability as a Percentage of Covered Payroll	12.45 %	12.85 %	12.21 %	22.10 %	21.53 %	18.57 %	17.97 %	12.51 %

Notes to Schedule:

There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay benefits.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.

*This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY - PSERS
LAST NINE YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	Measurement Date								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's Proportion of the Net OPEB Liability	0.0915 %	0.0924 %	0.0942 %	0.0941 %	0.0981 %	0.0958 %	0.0930 %	0.0924 %	0.0886 %
District's Proportionate Share of the Net OPEB Liability	\$ 1,625,460	\$ 1,667,725	\$ 1,734,006	\$ 2,231,000	\$ 2,120,000	\$ 2,038,000	\$ 1,939,000	\$ 1,883,000	\$ 1,908,000
District's Covered-Employee Payroll	\$ 14,530,618	\$ 14,163,162	\$ 13,852,058	\$ 13,344,003	\$ 13,773,863	\$ 13,214,541	\$ 12,520,972	\$ 12,305,469	\$ 11,480,587
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	11.19 %	11.78 %	12.52 %	16.72 %	15.39 %	15.42 %	15.49 %	15.30 %	16.62 %
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 %	5.47 %

Notes to Schedule:

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.

*This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS
YEAR ENDED JUNE 30, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 91,326	\$ 93,091	\$ 106,000	\$ 111,000	\$ 110,000	\$ 116,000	\$ 109,000	\$ 104,000	\$ 102,000	\$ 97,000
Contributions in Relation to the Contractually Required Contribution	91,326	93,091	106,000	111,000	110,000	116,000	109,000	104,000	102,000	97,000
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 14,496,136	\$ 14,530,618	\$ 14,163,162	\$ 13,850,958	\$ 13,344,003	\$ 13,773,863	\$ 13,214,541	\$ 12,520,972	\$ 12,291,107	\$ 11,480,587
Contributions as a Percentage of Covered-Employee Payroll	0.63 %	0.64 %	0.75 %	0.80 %	0.82 %	0.84 %	0.82 %	0.83 %	0.83 %	0.84 %

SINGLE AUDIT

PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Passed Through to Subrecipients
U.S. Department of Education											
Passed Through the Pennsylvania Department of Education:											
Title I - Improving Basic Programs	I	84.01	013-250332	07/01/24 - 09/30/25	\$ 1,205,979	\$ 1,126,686	\$ -	\$ 1,149,799	\$ 1,149,799	\$ 23,113	\$ -
Title I - Improving Basic Programs	I	84.01	013-240332	07/01/23 - 09/30/24	1,222,163	(1,041)	(29,254)	19,285	19,285	(8,928)	-
Title I - Improving Basic Programs	I	84.01	013-230332	07/01/22 - 09/30/23	1,430,538	-	(11,633)	11,633	11,633	-	-
Total ALN #84.010						1,125,645	(40,887)	1,180,717	1,180,717	14,185	-
 Title II - Improving Teacher Quality	I	84.367	020-250332	07/01/24 - 09/30/25	153,866	121,292	-	107,409	107,409	(13,883)	-
Title II - Improving Teacher Quality	I	84.367	020-240332	07/01/23 - 09/30/24	134,088	17,595	(16,986)	15,616	15,616	(18,965)	-
Title II - Improving Teacher Quality	I	84.367	020-230332	07/01/22 - 09/30/23	159,420	2,905	(25,897)	28,802	28,802	-	-
Total ALN #84.367						141,792	(42,883)	151,827	151,827	(32,848)	-
 Title IV - Student Support and Academic Achievement	I	84.424	144-250332	07/01/24- 09/30/25	92,026	55,216	-	53,558	53,558	(1,658)	-
Title IV - Student Support and Academic Achievement	I	84.424	144-240332	07/01/23- 09/30/24	111,911	44,764	20,724	24,040	24,040	-	-
Total ALN #84.424						99,980	20,724	77,598	77,598	(1,658)	-
 COVID-19 Education Stabilization Fund (ESSER III)	I	84.425U	223-210332	03/13/20 - 09/30/24	7,214,616	787,049	(117,343)	904,392	904,392	-	-
Total ALN #84.425						787,049	(117,343)	904,392	904,392	-	-
 Passed Through the Lancaster-Lebanon I.U.: Special Education Grants to States	I	84.027	062-250013	07/01/23- 09/30/24	420,093	420,093	-	420,093	420,093	-	-
 Special Education Preschool Grants	I	84.173	131-240013	07/01/24 - 06/30/25	360	-	-	360	360	360	-
Special Education Preschool Grants	I	84.173	131-230013	07/01/23 - 06/30/24	1,512	1,512	1,512	-	-	-	-
Total ALN #84.173						1,512	1,512	360	360	360	-
 Total U.S. Department of Education						2,576,071	(178,877)	2,734,987	2,734,987	(19,961)	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Passed Through to Subrecipients
U.S. Department of Health and Human Services											
Passed Through the Pennsylvania Department of Public Welfare:											
Medical Assistance Program	I	93.778	N/A	07/01/24 - 06/30/25	N/A	\$ 14,696	\$ -	\$ 16,658	\$ 16,658	\$ 1,962	\$ -
Medical Assistance Program	I	93.778	N/A	07/01/23 - 06/30/24	N/A	1,089	1,089	-	-	-	-
Total U.S. Department of Health and Human Services						15,785	1,089	16,658	16,658	1,962	-
U.S. Department of Agriculture											
Passed Through the Pennsylvania Department of Education:											
Breakfast Program	I	10.553	N/A	07/01/24 - 06/30/25	N/A	172,258	203	199,524	199,524	27,469	-
Breakfast Program	I	10.553	N/A	07/01/23 - 06/30/24	N/A	203	203	-	-	-	-
						172,461	406	199,524	199,524	27,469	-
National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	543,067	-	622,827	622,827	79,760	-
National School Lunch Program	I	10.555	N/A	07/01/23 - 06/30/24	N/A	715	715	-	-	-	-
						543,782	715	622,827	622,827	79,760	-
Passed Through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	49,649	-	49,649	49,649	-	-
Total ALN #10.555						593,431	715	672,476	672,476	79,760	-
Total U.S. Department of Agriculture						765,892	1,121	872,000	872,000	107,229	-
Total Federal Awards						\$ 3,357,748	\$ (176,667)	\$ 3,623,645	\$ 3,623,645	\$ 89,230	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 421,605	\$ 1,512	\$ 420,453	\$ 420,453	\$ 360	\$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						\$ 765,892	\$ 1,121	\$ 872,000	\$ 872,000	\$ 107,229	\$ -
Medicaid Cluster (ALN #93.778)						\$ 15,785	\$ 1,089	\$ 16,658	\$ 16,658	\$ 1,962	\$ -

Source Codes
D - Direct Funding
I - Indirect Funding
ALN - Assistance Listing Number

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**PEQUEA VALLEY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025**

NOTE 1 FEDERAL EXPENDITURES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Pequea Valley School District (the District) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting for governmental activities. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors. Proprietary fund expenses have been prepared using the accrual basis of accounting and are reported in accordance with generally accepted accounting principles (GAAP) as prescribed by the Government Accounting Standards Board (GASB).

NOTE 3 NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the Schedule under Assistance Listing #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2024-2025 fiscal year.

NOTE 4 ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2025 was \$8,301.

NOTE 5 INDIRECT COSTS

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

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

Board of School Directors
Pequea Valley School District
Kinzers, Pennsylvania

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pequea Valley School District's internal control over financial reporting (internal control) to determine the 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 Pequea Valley School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pequea Valley School District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
REPORT DATE

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

Board of School Directors
Pequea Valley School District
Kinzers, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pequea Valley 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 Pequea Valley School District's major federal programs for the year ended June 30, 2025. Pequea Valley School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pequea Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pequea Valley 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 Pequea Valley 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 Pequea Valley School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pequea Valley 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 Pequea Valley 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 Pequea Valley School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
REPORT DATE

**PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

Section I – Summary of the Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553; 10.555	Child Nutrition Cluster
84.425	Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**PEQUEA VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).