FINANCIAL SECTION

POCONO MOUNTAIN SCHOOL DISTRICT

Our Mission:

To Prepare All Students for
Tomorrow's Challenges & Opportunities

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Pocono Mountain School District
Swiftwater, Pennsylvania

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, Pocono Mountain School District adopted new accounting guidance, GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Our opinions are not modified with respect to that matter.

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 Pocono Mountain School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pocono Mountain 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 Pocono Mountain 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.

Report on Summarized Comparative Information

We have previously audited Pocono Mountain School District's 2022 financial statements, and our report dated February 21, 2023 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, 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, 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 on pages 23 through 34 and 73 through 78 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocono Mountain School District's basic financial statements. The combining and individual fund financial statements and the comparative General Fund schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements, the comparative General Fund schedules, and the schedule of expenditures of federal awards and certain state grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the comparative General Fund schedules, and the schedule of expenditures of federal awards and certain state grants are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Financial Statements

Management is responsible for the other information in the financial statements. The other information comprises the introductory and statistical sections, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, on our consideration of Pocono Mountain School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Pocono Mountain School District's internal control over financial reporting and compliance.

BBD, LLP

Philadelphia, Pennsylvania
January 26, 2024

Management's discussion and analysis (***"MD&A"***) of the Pocono Mountain School District (the ***"District"***) provides an overview of the District's financial performance for fiscal year ended June 30, 2023. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

During 2022 – 2023, the District consisted of nine schools – five elementary schools, two junior high schools and two senior high schools consisting of approximately 8,103 students. The District is located in Northeastern Pennsylvania and covers an area of approximately 316 square miles. The District serves a population of over 60,000 within eight municipalities in Monroe County, Pennsylvania. The municipalities consist of the Borough of Mount Pocono and the Townships of Barrett, Coolbaugh, Jackson, Paradise, Pocono, Tobyhanna and Tunkhannock. During 2022 – 2023, there were 1,131 employees in the District, consisting of 775 teachers, 63 administrators including general administration, principals and supervisors and 293 support personnel which includes administrative assistants, computer technicians, duplication clerks, custodians, grounds and building maintenance, health room nurses, non-teaching assistants, para-professionals and security guards.

The mission of the District is to prepare all students for tomorrow's challenges and opportunities.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2022 – 2023 fiscal year of $194,268,969. During the 2022 – 2023 fiscal year, the District had an increase in total net position of $32,459,025. The net position of governmental activities increased by $32,255,760 and net position of business-type activities increased by $203,265.

- The General Fund reported an increase in fund balance of $1,519,960, bringing the cumulative fund balance to $22,635,702 at the conclusion of the 2022 – 2023 fiscal year.

- At June 30, 2023, the General Fund Balance includes $2,165,723 restricted or assigned for the following purposes:

  - ✓ $165,723 restricted for compensatory education

  - ✓ $2,000,000 assigned to balance the 2023 – 2024 general fund budget

- At June 30, 2023, the General Fund Balance includes unassigned amounts of $20,409,175 of the $239,135,000 General Fund expenditure budget for 2023 – 2024. The unassigned fund balance amount is in compliance with School Board policy and guidelines prescribed by the Pennsylvania Department of Education. Limits pursuant to 24 PS 6-688, enacted by Act 48 of 2003 allows a school district to maintain an unassigned maximum General Fund Balance of 8.00% of the following year's expenditure budget, as long as the District did not raise property taxes above the Act 1 Index.

The final budget to actual variance for the General Fund for the fiscal year ended June 30, 2023 resulted as follows:

	Final Budget	Actual (GAAP Basis)	Variance Positive (Negative)
Revenues	$ 223,465,000	$ 240,563,190	$17,098,190
Expenditures	(231,630,845)	(239,759,681)	(8,128,836)
Other Financing Sources (Uses)	1,590,845	716,451	(874,394)
Total Net Change in Fund Balance	$ (6,575,000)	$ 1,519,960	$ 8,094,960

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.

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 (Deficit)* 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 soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 35 and 36 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.

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 two 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 two 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 37 through 40 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. 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 District uses internal service funds to account for the District's health and workers' compensation self-funded insurance programs. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for its major fund and internal service funds. The proprietary fund financial statements can be found on Pages 41 through 43 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 44 and 45 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 46 through 72 of this report.

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, as well as additional analysis which consists of combining and individual fund financial statements and comparative General Fund schedules.

The required supplementary information and additional analysis can be found on Pages 73 through 87 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of the District's financial position. At the close of the 2022 – 2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $194,268,969. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2022 and 2023.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	$ 88,929,366	$ 89,934,285	$2,607,511	$2,345,669	$ 91,536,877	$ 92,279,954
Capital assets	206,420,760	207,502,131	87,075	114,509	206,507,835	207,616,640
Total assets	295,350,126	297,436,416	2,694,586	2,460,178	298,044,712	299,896,594
DEFERRED OUTFLOWS						
Deferred amounts on debt refunding	1,911,252	2,240,813	-	-	1,911,252	2,240,813
Deferred charges - OPEB	11,629,471	12,853,186	-	-	11,629,471	12,853,186
Deferred charges - pension	39,788,992	41,769,138	-	-	39,788,992	41,769,138
Total deferred outflows	53,329,715	56,863,137	-	-	53,329,715	56,863,137
LIABILITIES						
Current liabilities	49,327,101	47,534,358	417,329	386,186	49,744,430	47,920,544
Noncurrent liabilities	446,229,257	460,214,645	-	-	446,229,257	460,214,645
Total liabilities	495,556,358	507,749,003	417,329	386,186	495,973,687	508,135,189
DEFERRED INFLOWS						
Deferred credits - OPEB	29,593,709	11,526,536	-	-	29,593,709	11,526,536
Deferred credits - pension	20,076,000	63,826,000	-	-	20,076,000	63,826,000
Total deferred inflows	49,669,709	75,352,536	-	-	49,669,709	75,352,536
NET POSITION (DEFICIT)						
Net investment in capital assets	86,694,055	75,209,744	87,075	114,509	86,781,130	75,324,253
Restricted	9,041,210	9,942,619	-	-	9,041,210	9,942,619
Unrestricted (deficit)	(292,281,491)	(313,954,349)	2,190,182	1,959,483	(290,091,309)	(311,994,866)
Total net position (deficit)	$(196,546,226)	$(228,801,986)	$2,277,257	$2,073,992	$(194,268,969)	$(226,727,994)

The District's total assets as of June 30, 2023 were $298,044,712 of which $65,297,554 or 21.91% consisted of cash and $206,507,835 or 69.29% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2023 were $495,973,687 of which $120,450,634 or 24.29% consisted of general obligation debt used to acquire and construct capital assets, $264,796,148 or 53.39% consisted of the actuarially determined net pension liability and $65,293,960 or 13.16% consisted of the actuarially determined OPEB liability.

The District had a deficit in unrestricted net position of $290,091,309 at June 30, 2023. The District’s unrestricted net position increased by $21,903,557 during 2022 – 2023 primarily due to the results of current operations and the change in the District’s actuarially determined net pension and OPEB liabilities and related pension and OPEB items.

A portion of the District's net position reflects its restricted net position which totaled $9,041,210 as of June 30, 2023. The District's restricted net position related to amounts restricted for capital project expenditures and compensatory education.

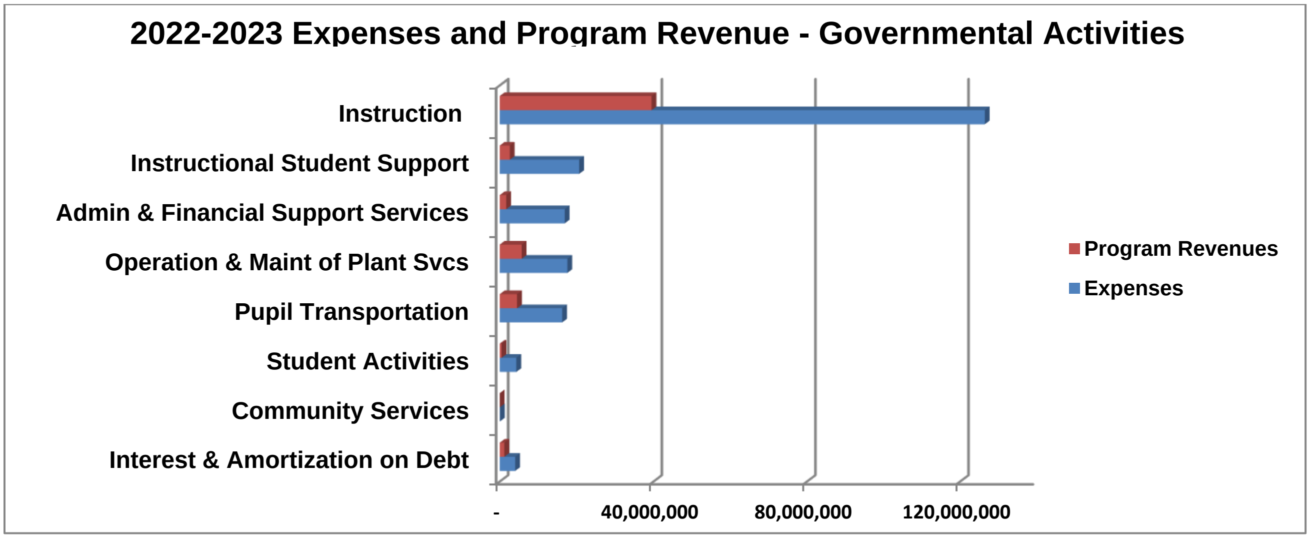
Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are 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, 2023, the District’s net investment in capital assets increased by $11,456,877 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 funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for years ending June 30, 2023 and 2022:

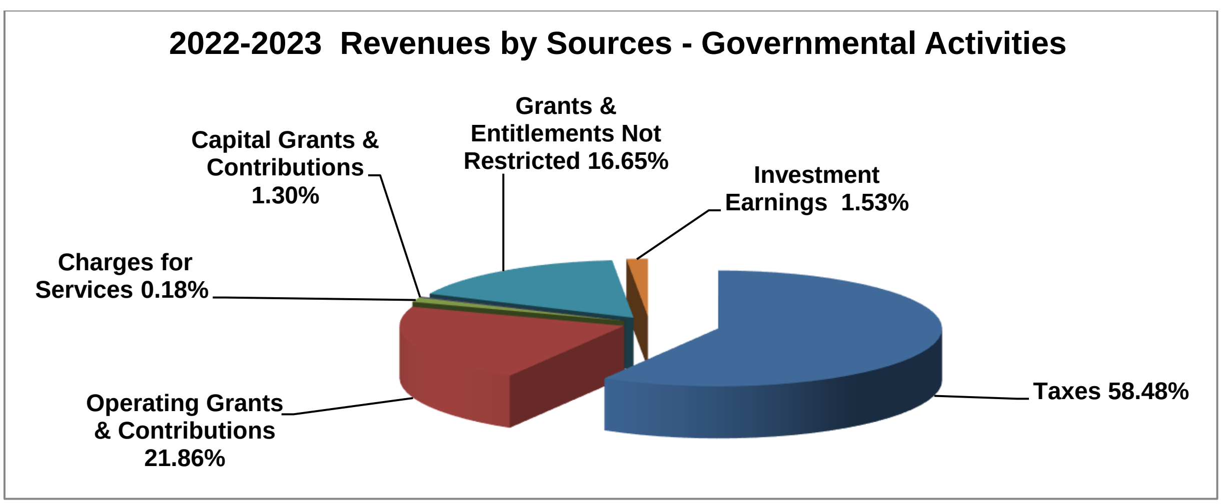
	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	$ 422,256	$ 360,150	$1,104,195	$ 401,512	$ 1,526,451	$ 761,662
Operating grants and contributions	52,154,645	45,246,318	4,678,771	5,463,153	56,833,416	50,709,471
Capital grants and contributions	3,099,077	3,132,966	41,229	12,113	3,140,306	3,145,079
General revenues and transfers						
Property taxes levied for general purposes	128,826,839	127,521,063	-	-	128,826,839	127,521,063
Earned income taxes levied for general purposes	6,848,393	6,472,462	-	-	6,848,393	6,472,462
Other taxes levied for general purposes	3,822,726	5,309,534	-	-	3,822,726	5,309,534
Grants and entitlements not restricted to specific programs	39,718,254	36,028,762	-	-	39,718,254	36,028,762
Investment earnings	3,653,923	282,416	72,548	4,162	3,726,471	286,578
Transfers	(50,000)	-	50,000	-	-	-
Total revenues	238,496,113	224,353,671	5,946,743	5,880,940	244,442,856	230,234,611
EXPENSES						
Instruction	126,450,471	122,362,395	-	-	126,450,471	122,362,395
Instructional student support services	20,666,195	19,810,496	-	-	20,666,195	19,810,496
Administrative and financial support services	16,904,470	15,737,574	-	-	16,904,470	15,737,574
Operation and maintenance of plant services	17,593,440	17,321,238	-	-	17,593,440	17,321,238
Pupil transportation	16,241,923	16,234,672	-	-	16,241,923	16,234,672
Student activities	4,311,431	3,615,966	-	-	4,311,431	3,615,966
Community services	50,956	85,192	-	-	50,956	85,192
Interest and amortization expense related to noncurrent liabilities	4,021,467	4,361,866	-	-	4,021,467	4,361,866
Food service	-	-	5,743,478	5,163,639	5,743,478	5,163,639
Total expenses	206,240,353	199,529,399	5,743,478	5,163,639	211,983,831	204,693,038
CHANGE IN NET POSITION (DEFICIT)	32,255,760	24,824,272	203,265	717,301	32,459,025	25,541,573
NET POSITION (DEFICIT)						
Beginning of year	(228,801,986)	(253,626,258)	2,073,992	1,356,691	(226,727,994)	(252,269,567)
End of year	$(196,546,226)	$(228,801,986)	$2,277,257	$2,073,992	$(194,268,969)	$(226,727,994)

During 2022 – 2023, the District's net position increased by $32,459,025 primarily due to changes related to the allocation of the PSERS pension liability and associated deferred inflows and outflows of resources. Management of the District continues to implement cost efficiencies and revenue-generating strategies to mitigate these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base consists of residential properties. Although the District is primarily a residential community, its property tax base does include commercial facilities.

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 the revenue they generate, 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 and grants and entitlements not restricted for specific programs to finance its governmental activities.



GOVERNMENTAL FUNDS

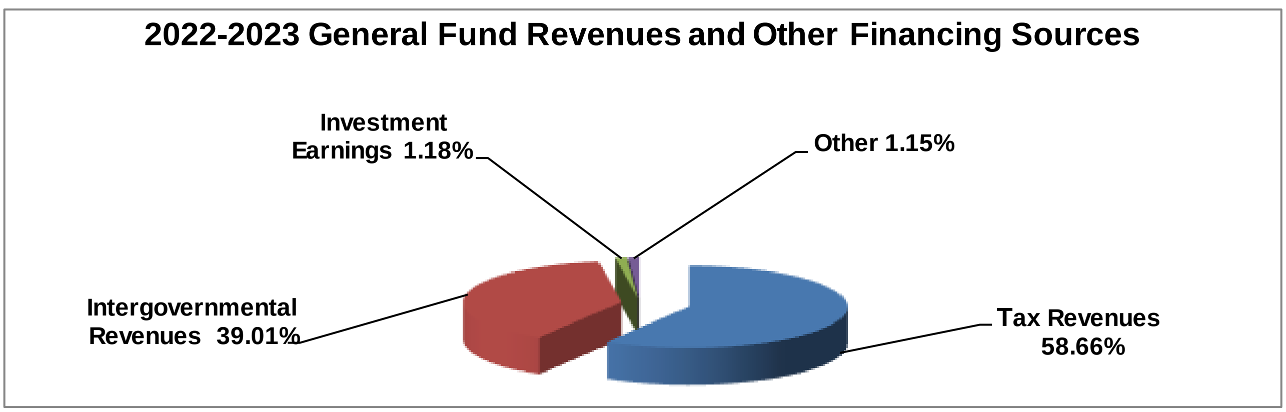
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by state statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined fund balance of $31,511,189 which is an increase of $586,556 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

	2023	2022	Net Change
General Fund	$22,635,702	$21,115,742	$1,519,960
Capital Projects Fund	8,875,487	9,808,891	(933,404)
	$31,511,189	$30,924,633	$ 586,556

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022 – 2023 fiscal year, the General Fund balance was $22,635,702 representing an increase of $1,519,960 in relation to the prior year. The increase in the District's General Fund balance 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 2022 – 2023 fiscal year.

The District's reliance upon tax revenues is easily seen by the graph below and indicates 58.66% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	2023	2022	Net Change	Percent Change
Tax revenues	$142,316,285	$141,580,260	$ 736,025	0.52%
Intergovernmental revenues	94,632,722	84,170,869	10,461,853	12.43%
Investment earnings	2,852,673	219,086	2,633,587	1202.08%
Other	2,790,997	5,347,968	(2,556,971)	(47.81%)
	$242,592,677	$231,318,183	$11,274,494	4.87%

- Intergovernmental revenues increased by $10,461,853 or 12.43% in 2022 – 2023. The increase was predominantly due to additional funding received in federal subsidies.

- A substantial increase in interest rates on investments had a favorable effect on the District's investment earnings revenue in 2022 – 2023.
- The District's net tax revenues increased by $736,025 or 0.52% for the fiscal year ended June 30, 2023. The following table summarizes the District's millage rate for five years. A county-wide reassessment was enacted and the millage rate was adjusted starting with the 2020 – 2021 fiscal year.

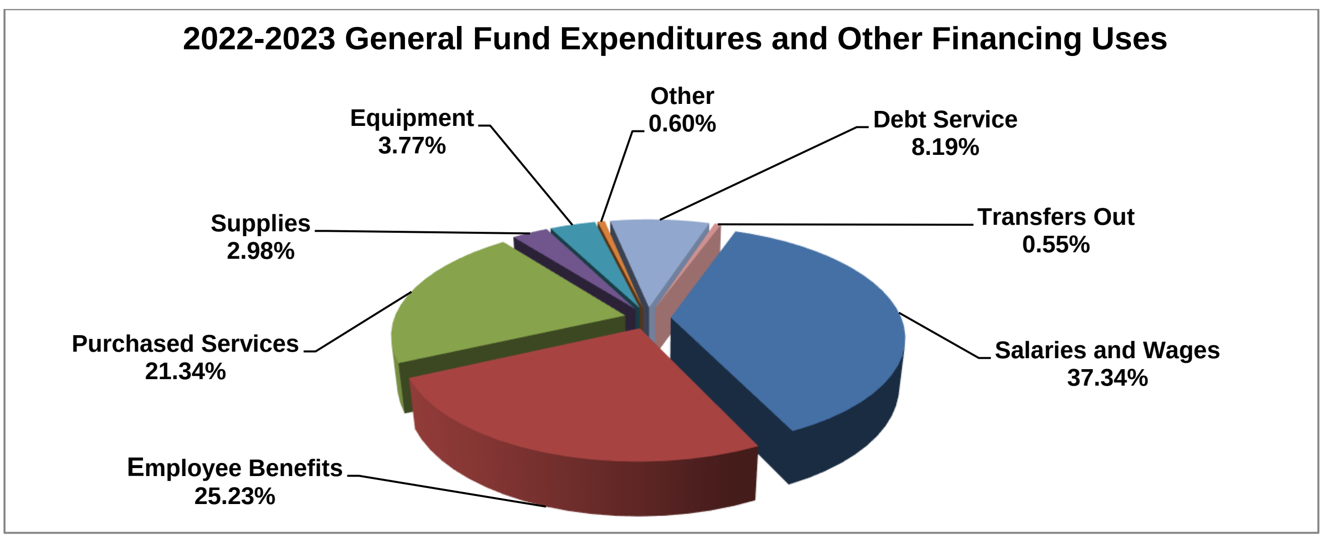
Fiscal Year	Millage Rate
2022 – 2023	20.350
2021 – 2022	19.905
2020 – 2021	19.905
2019 – 2020	135.29
2018 – 2019	135.29

- Delinquent real estate taxes realized a slight decline in collections.
- The increase in real estate tax revenue was attributed to an increase in the millage rate.
- A moderate increase for earned income tax occurred during the year.
- The following table summarizes changes in the District's tax revenues for 2022 – 2023:

	2023	2022	Net Change	Percent Change
Real estate tax	$121,636,099	$119,395,275	$ 2,240,824	1.88%
Interim real estate tax	433,921	336,697	97,224	28.88%
Public utility realty tax	133,840	137,119	(3,279)	(2.39%)
Payments in lieu of tax	157,705	155,647	2,058	1.32%
Earned income tax	6,848,393	6,472,462	375,931	5.81%
Real estate transfer tax	3,688,886	5,172,415	(1,483,529)	(28.68%)
Delinquent real estate tax	9,417,441	9,910,645	(493,204)	(4.98%)
	$142,316,285	$141,580,260	$ 736,025	0.52%

General Fund Expenditures and Other Financing Uses

As the following graph and table illustrates, the largest portion of General Fund expenditures are for salaries, wages and employee benefits. The District is an educational service entity and is highly labor intensive.



	2023	2022	Amount Change	Percent Change
Salaries and wages	$ 90,017,627	$ 88,281,749	$ 1,735,878	1.97%
Employee benefits	60,829,945	59,662,290	1,167,655	1.96%
Purchased services	51,441,375	49,765,668	1,675,707	3.37%
Supplies	7,179,962	9,031,317	(1,851,355)	(20.50%)
Capital outlay and equipment	9,098,175	4,514,840	4,583,335	101.52%
Other	1,439,178	1,153,008	286,170	24.82%
Debt service	19,753,419	18,574,002	1,179,417	6.35%
Transfers out	1,313,036	5,744,926	(4,431,890)	(77.14%)
	$241,072,717	$236,727,800	$ 4,344,917	1.84%

- Salaries and wages increased by $1,735,878 or 1.97% based upon current collective bargaining agreements and implementing after school and summer school instructional programs.

- Employee benefits increase of $1,167,655 or 1.96% was proportional to the increase in salaries and wages.

- Supplies decreased by $1,851,355 or 20.50% due to the reclassification for financial reporting to comply with GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). This GASB Statement also had an impact on the increase in the debt service variance.

- Capital outlay and equipment increased by $4,583,335 or 101.52% attributed to spending associated with ESSER grant funding.

- Transfers out for 2022 – 2023 consisted of transfers to the District's Capital Projects Fund. District-wide capital improvement projects which included, entranceway upgrades, interior door replacements, security system upgrades and upgrades for the East and West swimming pool facilities.

CAPITAL PROJECTS FUND

The Capital Projects Fund is maintained for construction and renovation activity associated with the District's facilities and infrastructure. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022 – 2023, the Capital Projects Fund reported a decrease in fund balance of $933,404 resulting from capital expenditures in excess of General Fund transfers. The remaining fund balance of $8,875,487 as of June 30, 2023 is restricted for future capital expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1st each year. The most significant budgeted fund is the General Fund.

The final budget to actual variance for the fiscal year ended June 30, 2023 is shown on page 73 of this report.

Major budgetary highlights for the 2022 – 2023 were as follows:

- Overall, the local revenue sources budget was underestimated by $8,801,329. The amount projected for real estate transfer tax and earned income tax was understated by $3,787,279 as compared to the actual amount of collections. Recent property sales and development projects within the District's boundaries contributed to the additional earned income tax and realty transfer tax collections above budgeted amounts. The interest earnings projection was also underestimated by $1,790,862 as compared to the actual amount earned due to the rising investment interest rates.

- A positive variance of $3,559,961 occurred within the state revenue sources. The beneficial variance is attributed to unexpected entitlements for the Ready to Learn Grant and higher subsidies for the matching share of the District's contribution for active members of PSERS, which was received from the Commonwealth of Pennsylvania. On the contrary, payments from the Commonwealth of Pennsylvania in accordance with Section 1305 and 1306 of the PA School Code fell short of budgeted amounts.

- A positive variance of $4,736,900 occurred within the federal source revenues, resulting from unanticipated appropriations for American Rescue Plan (***"ARP"***) Elementary and Secondary Schools Emergency Relief Fund (***"ESSER"***) to address the impact of the coronavirus pandemic.

- The negative variance of $380,939 in instruction expenditures is attributed to tutoring, after school and summer school program wages and associated benefits paid, utilizing ARP ESSER grant funds. Funding for the District's professional staff to support student learning loss and well-being that was impacted by the COVID-19 pandemic.

- Total support service expenditures were $973,181 more than budget appropriations. A mixture of variances occurred within these expenditure functions. A portion of this variance is credited to the contracting of school behavioral health workers and other contracted services. ARP ESSER resources were utilized for these disbursements. The purchase of computers, software and other technology equipment and accessories, which was not included in the budget also contributed to the negative variance. These expenditures provided District staff and students with the technology and other resources necessary to fully and successfully participate in all methods of learning instruction.

- The operation of noninstructional service costs were less than budget appropriations. The amount of $125,795 was derived from the gradual occurrence of school sporting events, student activities and intramurals. This resulted in less spending for game management and officials, transportation, competitions, and event fees.

- The District budget included a transfer of $2,500,000 from the Internal Service Fund. This appropriation of other financing sources was not utilized.

- The District executed fund transfers to the District's Capital Projects and Food Service Funds above the anticipated amount by $494,201. These funds were expended to provide funding for various capital improvement projects throughout the District and contribute to the student debt on account within the Food Service Fund.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

The net position of the business-type activities and Food Service Fund increased by $203,265. As of June 30, 2023, the business-type activities and Food Service Fund had net position of $2,277,257.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to $206,507,835 net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, buildings and site improvements, furniture and equipment, lease assets, and subscription assets. The total decrease in the District's investment in capital assets for the current fiscal year was $1,108,805 or 0.53%. The decrease was the result of current year disposals and depreciation and amortization expense in excess of current year capital additions.

Current year capital additions were $11,641,129 and depreciation/amortization expense and net book value of disposals were $12,749,934.

Additional detailed information regarding capital assets is included in Note 4 – Capital Assets on page 54 of this report.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of $120,450,634, consisting of $115,995,000 in bonds payable and net of deferred credits of $4,455,634. 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 general obligation debt. The District's general obligation debt decreased by $14,552,817 or 10.78% 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. As of the end of the fiscal year, the debt limitation for the District was approximately $510 million dollars and the remaining borrowing capacity was approximately $390 million dollars.

The general obligation debt issued by the District during the fiscal year has been assigned an underlying rating of "A+/Stable" and an insured rating of "AA" (Stable Outlook) by S&P Global Ratings.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in 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 $264,796,148 as of June 30, 2023. The District's net pension liability increased by $21,493,966 or 8.83% during the fiscal year.

The District reports a liability for its other post-employment 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 $65,293,960 as of June 30, 2023. The District's OPEB liability decreased by $19,263,002 or 22.78% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for leases, subscriptions, compensated absences, and insurance claims, which totaled $13,853,007 as of June 30, 2023. These liabilities increased by $185,277 or 1.36% during the fiscal year primarily due to increases in subscriptions payable.

Additional detailed information regarding noncurrent liabilities is included in Notes 7 – 13 on pages 56 through 69 of this report.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District adopted a balanced 2023 – 2024 budget of $239,135,000 which included a budgetary reserve of $955,000, in accordance with School Board policy. The real estate tax millage rate was adjusted less than the maximum mills based on the Act 1 index. The 2023 – 2024 real estate millage rate is 21.440 mills.

- In 2006, Act 1 was passed, which provided taxpayer relief through gambling revenues generated at the state level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This legislation placed a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are required to either change their taxing strategies to make up for the shortfall of increased real estate tax refunds or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law created constraints on the District's revenue stream in future years. This Act's requirements on school districts included the following:

   - In the event Pocono Mountain School District wishes to increase the property tax millage rate by more than the annual Act 1 index of 5.40% for the 2023 – 2024 fiscal year, the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.

   - Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.

   - Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteads and farmsteads.

- Act 120 of 2010 includes a series of actuarial and funding changes to the public school employees' retirement system (***"PSERS"***) and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. Act 120 will not impact the pension benefits of current or retired PSERS members.

  As a result of the legislation, the employer contribution rate for 2023 – 2024 was approved at 34.00%. The employer contribution rate for 2022 – 2023 was 35.26%, which slightly increased from the prior year rate of 34.94%.

- Monroe County approved a county-wide reassessment which was implemented as part of the 2020 – 2021 fiscal year. Numerous property assessment appeals were filed throughout the process and the District is actively engaged in the appeals process for commercial properties. Several large commercial appeals were approved or settled and reduced the taxable assessed values of properties.

- Students continue to attend cyber charter schools during the school year and enrollment fluctuates at any given time. Tuition costs for these students attending cyber charter schools are deducted from the District’s state subsidies and continues to negatively impact monthly cash flows and creates an additional burden upon the District’s budget. The District has continued to offer its own cyber learning program to provide students with an alternative and a Pocono Mountain School District education.

- The District is updating its capital improvement plan and reviewing its current debt service structure to provide future funding for the District-wide capital improvement projects.

  The following budget initiatives were incorporated into the 2023 – 2024 General Fund budget:

   - Continued appropriation for the District’s Enhanced Property Tax Rebate Program.
   - Continue the partnership with the District’s energy conservation firm to help reduce utility consumption and efficiently manage energy usage in our facilities.
   - Utilize ESSER funds for District-wide capital improvements to maximize the use of one-time federal funding.

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 Financial Officer, Pocono Mountain School District, P.O. Box 200,135 Pocono Mountain School Road, Swiftwater, PA 18370-0200.

POCONO MOUNTAIN SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash	$ 63,373,980	$ 1,923,574	$ 65,297,554
Taxes receivable	14,116,601	-	14,116,601
Accounts receivable	-	15,882	15,882
Due from other governments	9,671,534	146,200	9,817,734
Internal balances	(372,694)	372,694	-
Other receivables	2,079,141	41,229	2,120,370
Prepaid expenses	60,804	-	60,804
Inventories	-	107,932	107,932
Total current assets	88,929,366	2,607,511	91,536,877
CAPITAL ASSETS			
Capital assets not being depreciated			
Land	6,354,208	-	6,354,208
Construction in progress	4,670,617	-	4,670,617
Capital assets being depreciated			
Buildings	269,763,980	-	269,763,980
Buildings and site improvements	100,755,743	-	100,755,743
Furniture and equipment	43,843,115	1,598,747	45,441,862
Accumulated depreciation	(222,393,757)	(1,511,672)	(223,905,429)
Lease equipment	930,000	-	930,000
Subscription assets	4,241,787	-	4,241,787
Accumulated amortization	(1,744,933)	-	(1,744,933)
Total capital assets	206,420,760	87,075	206,507,835
Total assets	295,350,126	2,694,586	298,044,712
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	1,911,252	-	1,911,252
Deferred charges - pension	39,788,992	-	39,788,992
Deferred charges - OPEB	11,629,471	-	11,629,471
Total deferred outflows of resources	53,329,715	-	53,329,715
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	6,606,054	329,005	6,935,059
Accrued salaries, payroll withholdings and benefits	23,628,534	-	23,628,534
Accrued interest payable	928,021	-	928,021
Unearned revenues	-	88,324	88,324
Bonds payable, net	15,163,437	-	15,163,437
Leases payable	198,437	-	198,437
Subscriptions payable	1,166,027	-	1,166,027
Compensated absences	329,981	-	329,981
Insurance claims payable	1,306,610	-	1,306,610
Total current liabilities	49,327,101	417,329	49,744,430
NONCURRENT LIABILITIES			
Bonds payable, net	105,287,197	-	105,287,197
Leases payable	102,586	-	102,586
Subscriptions payable	1,875,273	-	1,875,273
Compensated absences	7,556,217	-	7,556,217
Insurance claims payable	1,317,876	-	1,317,876
Other post-employment benefits	65,293,960	-	65,293,960
Net pension liability	264,796,148	-	264,796,148
Total noncurrent liabilities	446,229,257	-	446,229,257
Total liabilities	495,556,358	417,329	495,973,687
DEFERRED INFLOWS OF RESOURCES			
Deferred credits - pension	20,076,000	-	20,076,000
Deferred credits - OPEB	29,593,709	-	29,593,709
Total deferred inflows of resources	49,669,709	-	49,669,709
NET POSITION (DEFICIT)			
Net investment in capital assets	86,694,055	87,075	86,781,130
Restricted for			
Capital projects	8,875,487	-	8,875,487
Compensatory education	165,723	-	165,723
Unrestricted	(292,281,491)	2,190,182	(290,091,309)
Total net position (deficit)	$ (196,546,226)	$ 2,277,257	$ (194,268,969)

See Accompanying Notes to Basic Financial Statements

POCONO MOUNTAIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	$ 126,450,471	$ 373,388	$ 39,054,772	$ 92,720	$ (86,929,591)	$ -	$ (86,929,591)
Instructional staff and student support services	20,666,195	-	2,292,447	327,428	(18,046,320)	-	(18,046,320)
Administrative and financial support services	16,904,470	-	1,671,079	-	(15,233,391)	-	(15,233,391)
Operation and maintenance of plant services	17,593,440	7,830	3,014,001	2,678,929	(11,892,680)	-	(11,892,680)
Pupil transportation services	16,241,923	-	4,505,156	-	(11,736,767)	-	(11,736,767)
Student activities	4,311,431	41,038	426,168	-	(3,844,225)	-	(3,844,225)
Community services	50,956	-	-	-	(50,956)	-	(50,956)
Interest and amortization expense related to noncurrent liabilities	4,021,467	-	1,191,022	-	(2,830,445)	-	(2,830,445)
Total governmental activities	206,240,353	422,256	52,154,645	3,099,077	(150,564,375)	-	(150,564,375)
BUSINESS-TYPE ACTIVITIES							
Food service	5,743,478	1,104,195	4,678,771	41,229	-	80,717	80,717
Total primary government	$ 211,983,831	$ 1,526,451	$ 56,833,416	$ 3,140,306	(150,564,375)	80,717	(150,483,658)
GENERAL REVENUES							
Property taxes levied for general purposes					128,826,839	-	128,826,839
Earned income taxes levied for general purposes					6,848,393	-	6,848,393
Other taxes levied for general purposes					3,822,726	-	3,822,726
Grants and entitlements not restricted to specific programs					39,718,254	-	39,718,254
Investment earnings					3,653,923	72,548	3,726,471
TRANSFERS					(50,000)	50,000	-
Total general revenues and transfers					182,820,135	122,548	182,942,683
CHANGE IN NET POSITION (DEFICIT)					32,255,760	203,265	32,459,025
NET POSITION (DEFICIT)							
Beginning of year					(228,801,986)	2,073,992	(226,727,994)
End of year					$ (196,546,226)	$ 2,277,257	$ (194,268,969)

See Accompanying Notes to Basic Financial Statements

POCONO MOUNTAIN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	Major Funds		
	General Fund	Capital Projects Fund	Total
ASSETS			
Cash	$ 40,437,189	$ 8,957,747	$ 49,394,936
Taxes receivable	14,116,601	-	14,116,601
Due from other governments	9,671,534	-	9,671,534
Other receivables	725,872	-	725,872
Prepaid items	60,804	-	60,804
Total assets	$ 65,012,000	$ 8,957,747	$ 73,969,747
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 6,523,794	$ 82,260	$ 6,606,054
Due to other funds	372,694	-	372,694
Accrued salaries, payroll withholdings and benefits	23,958,515	-	23,958,515
Total liabilities	30,855,003	82,260	30,937,263
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	11,521,295	-	11,521,295
FUND BALANCES			
Nonspendable			
Prepaid items	60,804	-	60,804
Restricted for			
Capital projects	-	8,875,487	8,875,487
Compensatory education	165,723	-	165,723
Assigned to			
Balance subsequent year's budget	2,000,000	-	2,000,000
Unassigned	20,409,175	-	20,409,175
Total fund balances	22,635,702	8,875,487	31,511,189
Total liabilities, deferred inflows of resources and fund balances	$ 65,012,000	$ 8,957,747	$ 73,969,747

POCONO MOUNTAIN SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES	$ 31,511,189
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	206,420,760
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	1,911,252
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are not reported as assets and liabilities in the governmental funds balance sheet.	1,748,754
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds balance sheet.	11,521,295
The Internal Service Fund is used by management to charge the cost of health insurance and workers' compensation claims to the General Fund. The assets and liabilities of the District's Internal Service Funds are included in the governmental activities on the government-wide statement of net position (deficit).	12,707,827
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(461,439,282)
Accrued interest payable on long-term liabilities is included in the government-wide statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	(928,021)
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ (196,546,226)

POCONO MOUNTAIN SCHOOL DISTRICT

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

Year ended June 30, 2023

	Major Funds		
	General Fund	**Capital Projects Fund**	**Total**
REVENUES			
Local sources	$ 145,930,468	$ 301,651	$ 146,232,119
State sources	76,000,822	-	76,000,822
Federal sources	18,631,900	-	18,631,900
Total revenues	240,563,190	301,651	240,864,841
EXPENDITURES			
Current			
Instruction	135,371,656	-	135,371,656
Support services	74,257,811	389,347	74,647,158
Operation of noninstructional services	4,530,448	-	4,530,448
Capital outlay	5,846,347	2,108,744	7,955,091
Debt service			
Principal	15,429,763	-	15,429,763
Interest	4,323,656	-	4,323,656
Total expenditures	239,759,681	2,498,091	242,257,772
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	803,509	(2,196,440)	(1,392,931)
OTHER FINANCING SOURCES (USES)			
Sale of/compensation for capital assets	12,150	-	12,150
Proceeds from extended term financing	2,017,337	-	2,017,337
Transfers in	-	1,263,036	1,263,036
Transfers out	(1,313,036)	-	(1,313,036)
Total other financing sources (uses)	716,451	1,263,036	1,979,487
NET CHANGE IN FUND BALANCES	1,519,960	(933,404)	586,556
FUND BALANCES			
Beginning of year	21,115,742	9,808,891	30,924,633
End of year	$ 22,635,702	$ 8,875,487	$ 31,511,189

See Accompanying Notes to Basic Financial Statements

POCONO MOUNTAIN SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 586,556
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 depreciation and amortization expense and the net book value of disposed of capital assets exceeded capital outlays in the current period.		
Capital outlay expenditures	$ 11,599,900	
Net book value of disposed assets	(7,941)	
Depreciation and amortization expense	(12,673,330)	(1,081,371)
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 this year.		
Deferred inflows of resources at June 30, 2022	$ (14,339,622)	
Deferred inflows of resources at June 30, 2023	11,521,295	(2,818,327)
The Internal Service Fund is used by management to charge the cost of health insurance and workers' compensation premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.		1,151,615
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	$ 14,040,000	
Proceeds from extended term financing	(2,017,337)	
Repayment of extended term financing	1,389,763	
Current year changes to discounts, premiums and deferred amounts on refunding	183,256	13,595,682
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds.		
Current year change in net pension liability and related pension items	$ 20,275,888	
Current year change in accrued interest payable	118,933	
Current year change in compensated absences	454,670	
Current year change in net OPEB liability and related OPEB items	(27,886)	20,821,605
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 32,255,760

See Accompanying Notes to Basic Financial Statements

POCONO MOUNTAIN SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2023

	Major Fund Food Service Fund	Internal Service Funds
ASSETS		
CURRENT ASSETS		
Cash	$ 1,923,574	$ 13,979,044
Accounts receivable	15,882	-
Due from other governments	146,200	-
Due from other funds	372,694	-
Other receivables	41,229	1,353,269
Inventories	107,932	-
Total current assets	2,607,511	15,332,313
CAPITAL ASSETS		
Capital assets being depreciated		
Machinery and equipment	1,598,747	-
Accumulated depreciation	(1,511,672)	-
Total capital assets	87,075	-
Total assets	2,694,586	15,332,313
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	329,005	-
Insurance claims payable	-	1,306,610
Unearned revenue	88,324	-
Total current liabilities	417,329	1,306,610
NONCURRENT LIABILITIES		
Insurance claims payable	-	1,317,876
Total liabilities	417,329	2,624,486
NET POSITION		
Investment in capital assets	87,075	-
Unrestricted	2,190,182	12,707,827
Total net position	$ 2,277,257	$ 12,707,827

POCONO MOUNTAIN SCHOOL DISTRICT

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

Year ended June 30, 2023

	Major Fund Food Service Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	$ 1,104,195	$ 28,144,143
OPERATING EXPENSES		
Salaries and wages	38,625	-
Employee benefits	25,489	26,471,691
Purchased services	-	82,387
Purchased property services	96,138	-
Other purchased services	4,703,035	1,200,728
Supplies	811,528	-
Depreciation	68,663	-
Total operating expenses	5,743,478	27,754,806
Operating loss	(4,639,283)	389,337
NONOPERATING REVENUES		
Earnings on investments	72,548	499,599
Refund of prior year expenses	-	262,679
Local sources	11,545	-
State sources	387,233	-
Federal sources	4,321,222	-
Total nonoperating revenues	4,792,548	762,278
Change in net position before transfers	153,265	1,151,615
TRANSFERS	50,000	-
CHANGE IN NET POSITION	203,265	1,151,615
NET POSITION		
Beginning of year	2,073,992	11,556,212
End of year	$ 2,277,257	$ 12,707,827

POCONO MOUNTAIN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023

	Major Fund Food Service Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	$ 1,102,203	$ -
Cash received for assessments made to other funds	-	27,263,765
Payments to suppliers for goods and services	(5,610,179)	(12,919)
Cash payments to employees for services	(64,114)	-
Cash payments for insurance claims	-	(26,745,235)
Cash paid for other operating expenses	-	(1,200,728)
Net cash used for operating activities	(4,572,090)	(695,117)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	394,176	-
Federal sources	4,363,779	-
Local sources	11,545	-
Transfers in	50,000	-
Refund of prior year expenses	-	262,679
Net cash provided by noncapital financing activities	4,819,500	262,679
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(41,229)	-
Federal capital grants	41,229	-
Net cash provided by capital and related financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	72,548	499,599
Net increase in cash	319,958	67,161
CASH		
Beginning of year	1,603,616	13,911,883
End of year	$ 1,923,574	$ 13,979,044
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating loss	$ (4,639,283)	$ 389,337
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	68,663	-
Donated commodities used	532,323	-
(Increase) decrease in		
Accounts receivable	(1,359)	-
Due from other funds	(372,694)	-
Other receivables	(39,545)	(880,378)
Inventories	30,149	-
Increase (decrease) in		
Accounts payable	48,748	-
Due to other funds	(181,487)	-
Insurance claims payable	-	(204,076)
Unearned revenues	(17,605)	-
Net cash used operating activities	$ (4,572,090)	$ (695,117)
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	$ 532,323	$ -

See Accompanying Notes to Basic Financial Statements

POCONO MOUNTAIN SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2023

	Private-Purpose Trust	Custodial Funds
ASSETS		
Cash	$ 224,074	$ 305,693
Total assets	224,074	305,693
LIABILITIES		
Accounts payable	10,353	-
NET POSITION		
Restricted for student activities	-	305,693
Net position held in trust for scholarships	213,721	-
Total net position	$ 213,721	$ 305,693

POCONO MOUNTAIN SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023

	Private-Purpose Trust	Custodial Funds
ADDITIONS		
Receipts from student groups	$ -	$ 533,737
Local contributions	51,000	-
Earnings on investments	7,143	-
Total additions	58,143	533,737
DEDUCTIONS		
Student activity disbursements	-	506,297
Scholarships awarded and fees paid	40,082	-
Total deductions	40,082	506,297
CHANGE IN NET POSITION	18,061	27,440
NET POSITION		
Beginning of year	195,660	278,253
End of year	$ 213,721	$ 305,693

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pocono Mountain School District (***"District"***) operates five elementary schools, two junior high schools and two high schools to provide education and related services to the residents in the Borough of Mount Pocono and the Townships of Barrett, Coolbaugh, Jackson, Paradise, Pocono, Tobyhanna and Tunkhannock, all located in Monroe County, Pennsylvania. 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 second class. The District operates under a locally elected nine-member board form of government (***"School Board"***).

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 (deficit) 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.

The government-wide statement of net position (deficit) 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 (deficit) 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 so 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 so 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. Fiduciary fund financial statements are presented by fund type.

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 that are restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

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 sixty days of the end of the fiscal period. Deferred inflows of resources is reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current 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. 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 post-employment 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.

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. 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.

The Internal Service Funds are used to account for the District's health and workers' compensation self-funded insurance programs.

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 employee benefits, purchased services and supplies. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or government units and are, therefore, not available to support the District’s own programs. The District has one custodial fund consisting of funds held on behalf of the students.

<u>Cash and Investments</u>

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.

Section 440.1(c) of the Pennsylvania School Code authorizes the District to invest in: 1) U.S. Treasury Bills; 2) deposits in savings accounts or time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository; 3) obligations of the United States of America (USA) or any of its agencies or instrumentalities backed by the full faith and credit of the USA, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities; 4) pooled investments such as Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust and the Pennsylvania State Treasurer’s Invest Program.

Investments for the District are reported at fair value, except for certificates of deposit which are recorded at cost, which approximates 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:

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 August 1 and are payable in the following periods:

August 1 – September 30	-	Discount period, 2% of gross levy
October 1 – November 30	-	Face period
December 1 – December 31	-	Penalty period, 10% of gross levy
January 1	-	Lien date

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2022 – 2023 was 20.3500 mills ($20.35 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.

Taxpayers within the District have the option of paying in three installments. These installments are due on or before the following due dates:

First Installment	-	August 31
Second Installment	-	October 31
Third Installment	-	December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

Inventories consisting of supplies are carried at cost, using the first-in, first-out method. The cost of such inventories is recorded as an expense when consumed rather than when purchased.

Unearned Revenues

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

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 $10,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets that are received in a service concession arrangement will be measured at acquisition value.

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: buildings – 30 to 50 years, building and site improvements – 7 to 20 years and furniture and equipment – 3 to 20 years.

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, 2023.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

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.

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.

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

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

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

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

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 Financial Officer or (b) an appointed body (e.g., finance committee) or (c) an official to whom 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 non-spendable, 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.

Unassigned

Unassigned fund balance represents the residual amount for the General Fund that is not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

The School Board has set a policy to maintain an unassigned General Fund balance of not less than five percent (5%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2022, the District adopted the provisions of GASB Statement No. 94 *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* and GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements"*.

The objective of GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (***"PPP"s***). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

The objective of GASB Statement No. 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (***"SBITA"s***) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. As a result of the implementation of Statement No. 96, the District recognized its right-to-use subscription assets and corresponding subscription liabilities for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, *"Accounting Changes and Error Corrections"* will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *"Compensated Absences"* will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will 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.

(2) 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 shall make the proposed preliminary budget available for public inspection at least twenty (20) days prior to its adoption by the School Board. The District shall provide public notice of its intent to adopt the proposed preliminary budget at least ten (10) days prior to the proposed preliminary adoption.

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 School Board approval. 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 include the effect of approved budget amendments.

(3) DEPOSITS

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.

Custodial Credit Risk - Deposits

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, 2023, the carrying amount of the District's deposits was $65,827,321 and the bank balance was $66,343,031. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal depository insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any other 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, $420,679 was covered by federal depository insurance, and $38,208,554 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. 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 money market mutual funds. Their objective is to maintain a stable net asset value of $1 per share and it is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2023, PSDLAF was rated as AAAm by S&P Global Ratings.

Reconciliation to Financial Statements

Uninsured amounts	$38,208,554
FDIC Insured amounts	420,679
Reconciling items	(515,710)
Carrying amount, bank balances	38,113,523
Pooled cash equivalents in government investment pools	27,713,798
Total carrying amount deposits	$65,827,321

(4) CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 6,354,208	$ -	$ -	$ 6,354,208
Construction in progress	1,389,698	4,615,138	1,334,219	4,670,617
Total capital assets not being depreciated/amortized	7,743,906	4,615,138	1,334,219	11,024,825
Capital assets being depreciated/amortized				
Buildings	269,763,980	-	-	269,763,980
Building and site improvements	95,925,461	4,830,282	-	100,755,743
Furniture and equipment	42,617,059	1,471,362	245,306	43,843,115
Lease equipment	930,000	-	-	930,000
Subscription assets	2,224,450	2,017,337	-	4,241,787
Total capital assets being depreciated/amortized	411,460,950	8,318,981	245,306	419,534,625
Less accumulated depreciation/amortization for				
Buildings	(125,679,137)	(5,171,211)	-	(130,850,348)
Building and site improvements	(51,827,282)	(3,954,931)	-	(55,782,213)
Furniture and equipment	(33,731,306)	(2,267,255)	(237,365)	(35,761,196)
Lease equipment	(465,000)	(186,000)	-	(651,000)
Subscription assets	-	(1,093,933)	-	(1,093,933)
Total accumulated depreciation/ amortization	(211,702,725)	(12,673,330)	(237,365)	(224,138,690)
Total capital assets being depreciated/amortized, net	199,758,225	(4,354,349)	7,941	195,395,935
Governmental activities, net	$ 207,502,131	$ 260,789	$1,342,160	$ 206,420,760
Business-type activities				
Machinery and equipment	$ 1,557,518	$ 41,229	$ -	$ 1,598,747
Less accumulated depreciation	(1,443,009)	(68,663)	-	(1,511,672)
Business-type activities, net	$ 114,509	$ (27,434)	$ -	$ 87,075

As of June 30, 2023, the District had outstanding construction commitments totaling $917,206 for various projects.

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

Governmental activities	
Instruction	$ 7,712,220
Instructional student support services	1,276,303
Administrative and financial support services	1,000,684
Operation and maintenance of plant services	1,547,243
Pupil transportation	881,680
Student activities	255,200
Total depreciation/amortization expense – governmental activities	$12,673,330
Business-type activities	
Food service	$ 68,663

(5) NET INVESTMENT IN CAPITAL ASSETS

Components of the net position of the governmental activities net investment in capital assets at June 30, 2023 are as follows:

Capital assets	$ 430,559,450
Deferred outflows of resources	1,911,252
Accumulated depreciation/amortization	(224,138,690)
	208,332,012
Leases payable	(301,023)
Subscriptions payable	(3,041,300)
General obligation debt [1]	(118,295,634)
Net investment in capital assets	$ 86,694,055

[1] Excludes Series C of 2013 in the amount of $2,155,000 which was issued to fund a portion of the District's unfunded actuarial accrued pension liability.

Components of the net position of the business-type activities net investment in capital assets at June 30, 2023 are as follows:

Capital assets	$ 1,598,747
Accumulated depreciation	(1,511,672)
Investment in capital assets	$ 87,075

(6) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

Receivable To	Amount	Payable From	Amount
Food Service Fund	$ 372,694	General Fund	$ 372,694

These interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

Transfers In	Amount	Transfers Out	Amount
Capital Projects Fund	$1,263,036	General Fund	$1,263,036
Food Service Fund	50,000	General Fund	50,000
	$1,313,036		$1,313,036

Transfers were used to move unrestricted fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

(7) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Amount Due Within One Year
Governmental activities					
General obligation debt					
Bonds payable	$130,035,000	$ -	$14,040,000	$115,995,000	$14,650,000
Bond premiums	5,688,287	-	597,679	5,090,608	597,679
Bond discounts	(719,836)	-	(84,862)	(634,974)	(84,242)
Total general obligation debt	135,003,451	-	14,552,817	120,450,634	15,163,437
Other noncurrent liabilities					
Leases payable	490,299	-	189,276	301,023	198,437
Subscriptions payable	2,224,450	2,017,337	1,200,487	3,041,300	1,166,027
Compensated absences	8,124,419	64,468	302,689	7,886,198	329,981
Insurance claims payable	2,828,562	-	204,076	2,624,486	1,306,610
OPEB liability	70,511,850	5,457,887	21,615,479	54,354,258	-
Net OPEB liability – PSERS	14,045,112	-	3,105,410	10,939,702	-
Net pension liability – PSERS	243,302,182	21,493,966	-	264,796,148	-
Total other noncurrent liabilities	341,526,874	29,033,658	26,617,417	343,943,115	3,001,055
Total noncurrent liabilities	$476,530,325	$29,033,658	$41,170,234	$464,393,749	$18,164,492

Noncurrent liabilities are generally liquidated by the General Fund.

Insurance Claims Obligation

The insurance claims payable represents the District's unfunded liability for future estimated workers' compensation claim payments on existing active claims, which is recorded in the statements of net position of the governmental activities and the Internal Service Funds.

(8) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and are payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2023 consisted of the following:

Description	Interest Rate	Original Issue Amount	Final Maturity	Principal Outstanding
General obligation bonds				
Series B of 2013	2.00% - 4.00%	$60,820,000	06/15/2029	$ 27,825,000
Series C of 2013	1.077% - 3.403%	10,620,000	06/15/2025	2,155,000
Series A of 2015	0.50% - 3.20%	18,805,000	03/01/2032	16,260,000
Series of 2016	2.00% - 5.00%	30,535,000	09/01/2034	24,680,000
Series A of 2016	2.00% - 4.00%	62,385,000	09/01/2031	45,075,000
Total general obligation bonds				$115,995,000

General Obligation Bonds

On April 24, 2013, the District issued $60,820,000 of general obligation bonds, Series B of 2013 and $10,620,000 of general obligation bonds Series C of 2013. The purpose of the Series B issue was to currently refund all of the District's outstanding general obligation notes, Series A of 2004, Series C of 2004 and Series E of 2004; currently refund all of the District's outstanding general obligation notes Series of 2006; currently refund all of the District's outstanding general obligation notes Series of 2008; fund various capital projects and to pay for the cost of issuance. The proceeds from the sale of the Series C bonds were to fund a portion of the unfunded actuarial accrued pension liability and to pay for the cost of issuance. Principal is due June 1 and the issue's final maturity is June 15, 2029 for Series B and June 15, 2025 for Series C. The Series C is not subject to optional redemption. The Series B have a call date of June 15, 2023. The bonds are payable in periodic installments and bear interest payable semi-annually on June 15 and December 15 at rates ranging from 1.077% to 4.00%.	$ 29,980,000
On March 19, 2015, the District issued $18,805,000 of general obligation bonds, Series A of 2015. The purpose of the issue was to provide for the advance refunding of the District's outstanding general obligation bonds, Series A of 2009 and to pay for the costs of issuance. Principal is due March 1 each year and the issue's final maturity date is March 1, 2032. The bonds are payable in periodic installments and bear interest payable semi-annually on March 1 and September 1 at rates ranging from 0.50% to 3.20%. The District advance refunded the general obligation bonds to reduce future debt service payments by $1,637,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,619,509.	16,260,000
On January 12, 2016, the District issued $30,535,000 of general obligation bonds, Series of 2016. The purpose of the issue was to provide for the advance refunding of a portion of the District's outstanding general obligation bonds, Series A of 2007, B of 2007 and C of 2007 and to pay for the costs of issuance. Principal is due September 1 each year and the issue's final maturity date is September 1, 2034. The bonds are payable in periodic installments and bear interest payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 5.00%. The District advance refunded the general obligation bonds to reduce future debt service payments by $3,558,193 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $3,206,909.	24,680,000
On November 1, 2016, the District issued $62,385,000 of general obligation bonds, Series A of 2016. The purpose of the issue was to provide for the current refunding of the District's outstanding general obligation notes, Series A of 2007 and Series of 2011, general obligation bonds, Series B of 2007 and C of 2007 and to pay for the costs of issuance. Principal is due September 1 each year and the issue's final maturity date is September 1, 2031. The bonds are payable in periodic installments and bear interest payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.00%. The District currently refunded the general obligation bonds and notes to reduce future debt service payments by $21,768,383 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $17,178,979.	45,075,000
Total general obligation bonds	$ 115,995,000

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

Year ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2024	$ 14,650,000	$ 3,694,755	$ 18,344,755
2025	15,295,000	3,082,994	18,377,994
2026	15,065,000	2,572,956	17,637,956
2027	15,560,000	2,065,927	17,625,927
2028	16,080,000	1,567,168	17,647,168
2029 – 2033	36,515,000	2,564,798	39,079,798
2034 – 2035	2,830,000	94,215	2,924,215
	$115,995,000	$15,642,813	$131,637,813

Authorized Unissued General Obligation Debt

In prior years, the School Board authorized the issuance of general obligation debt totaling $44.0 million to fund various capital improvement projects related to the District's facilities. Prior to the end of the fiscal year, the School Board authorized the abandonment of all authorized but unissued debt in the amount of $14,025,000.

Legal Debt Margin

The Local Government Unit Debt Act establishes a limit on the amount of debt the District may incur. Under the Act, the District cannot incur more than 225% of its borrowing base. The borrowing base is defined as the annual arithmetic average of "Total Revenues" (as defined in the Act) for the three full fiscal years ended.

As of June 30, 2023, the total Legal Limit was $510.2 million and the total outstanding debt applicable to the limit was $120.5 million which represents 23.62 percent of the total debt limit.

(9) LEASES PAYABLE

The District has entered into long-term lease agreements for office equipment. An initial lease liability was recorded in the amount of $930,000. As of June 30, 2023, the value of the lease liability is $301,023. The lease has an interest rate of 4.74% and estimated useful life of 5 years as of the contract commencement. The value of the capital assets as of June 30, 2023 is $279,000, net of accumulated depreciation of $651,000, and is included with noncurrent assets on the statement of net position (deficit).

The future minimum lease payments under the leases and the net present value of the future minimum lease payments as of June 30, 2023 are as follows:

Year ending June 30,	Governmental Activities
2024	$209,250
2025	104,625
Less: amount representing interest	(12,852)
Present value of minimum lease payments	$301,023

(10) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits (***"OPEB"***) 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 OPEB 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, 2022:

Active participants	1,039
Vested former participants	-
Retired participants	184
Total	1,223

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. 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.

OPEB Liability

The District's OPEB liability has been measured as of July 1, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 actuarial valuation through the report date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is $54,354,258, all of which is unfunded. As of June 30, 2023, the OPEB liability of $54,354,258 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2023 was as follows:

Balance as of July 1, 2022	$ 70,511,850
Changes for the year	
Service cost	3,792,629
Interest on total OPEB liability	1,665,258
Differences between expected and actual experience	(3,967,082)
Changes in assumptions	(15,309,719)
Benefit payments	(2,338,678)
Net changes	(16,157,592)
Balance as of June 30, 2023	$ 54,354,258

OPEB Expense and Deferred Outflows and Inflows Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of $603,990. At June 30, 2023, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 520,493	$ 8,735,160
Changes in assumptions	6,427,257	17,003,549
Contributions subsequent to the measurement date	2,543,980	-
	$9,491,730	$25,738,709

District contributions subsequent to the measurement date in the amount of $2,543,980 reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2024	$ (2,309,917)
2025	(2,309,917)
2026	(2,309,917)
2027	(2,309,917)
2028	(2,309,917)
Thereafter	(7,241,374)
	$(18,790,959)

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

The following presents the OPEB liability for June 30, 2023, 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:

	1% Decrease	Trend Rate	1% Increase
OPEB liability	$48,714,985	$54,354,258	$60,936,895

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is 1-percentage point lower (3.06%) or 1-percentage point higher (5.06%) than the current rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
OPEB Liability	$59,141,304	$54,354,258	$50,019,542

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB Liability as of July 1, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.06% - 20-year high-grade municipal rate index; previously rate of 2.28% was assumed
- Salary growth – 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies from 0.00% to 2.75%

- Assumed healthcare cost trends – 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 and 2025; rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for administrators and all other employees. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

PSERS provides health insurance premium assistance which is a governmental cost sharing, multiple-employer 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, 2022, 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

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, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $667,741 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $10,939,702 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.5943 percent, which was an increase of 0.0017 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the OPEB liability of $10,939,702 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized negative net OPEB expense of $576,104. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 101,000	$ 59,000
Changes in assumptions	1,215,000	2,584,000
Net difference between projected and actual investment earnings	30,000	-
Changes in proportions	124,000	1,212,000
Contributions subsequent to the measurement date	667,741	-
	$2,137,741	$3,855,000

$667,741 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2024	$ (507,000)
2025	(509,000)
2026	(442,000)
2027	(481,000)
2028	(446,000)
	$(2,385,000)

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.09% – Standard & Poor's 20-year municipal bond rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at $1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.

- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Participation rate:

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 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-2015 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.

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	Long-Term Expected Real Rate of Return
Cash	100.00%	0.50%

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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the Standard & Poor's 20-year municipal bond rate at June 30, 2022, was applied to all projected benefit payments to measure the total 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, 2022, 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.

The following presents the net OPEB liability for June 30, 2022, 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:

	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$10,938,591	$10,939,702	$10,940,594

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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	$12,371,490	$10,939,702	$9,741,599

OPEB Plan Fiduciary Net Position

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

(11) OPEB EXPENSE, NET OPEB LIABILITY, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

	OPEB Expense	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 10)	$ 603,990	$54,354,258	$ 9,491,730	$25,738,709
PSERS Plan (See Note 10)	(576,104)	10,939,702	2,137,741	3,855,000
	$ 27,886	$65,293,960	$11,629,471	$29,593,709

(12) PENSION PLAN

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

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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 1 year credited service; (b) age 60 with 30 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 membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally equal to 1.00% 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member’s right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions

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

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

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

Employer Contributions

The District’s contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $30,724,992 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $264,796,148 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS’ total pension liability as of June 30, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.5956 percent, which was an increase of 0.0030 percent from its proportion measured as of June 30, 2022.

As of June 30, 2023, the net pension liability of $264,796,148 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized negative net pension expense of $20,275,888. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 120,000	$ 2,290,000
Changes in assumptions	7,907,000	-
Net difference between projected and actual investment earnings	-	4,492,000
Changes in proportions	1,037,000	13,294,000
Contributions subsequent to the measurement date	30,724,992	-
	$39,788,992	$20,076,000

$30,724,992 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2024	$ (7,002,000)
2025	(3,728,000)
2026	(6,553,000)
2027	6,271,000
	$(11,012,000)

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- 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.

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

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

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

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

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

Discount Rate

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

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

The following 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%) that 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	$342,495,706	$264,796,148	$199,286,015

Pension Plan Fiduciary Net Position

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

(13) SUBSCRIPTIONS PAYABLE

The District has entered into long-term subscription agreements for subscription-based information technology arrangements. Initial subscription liabilities were recorded in the amount of $4,241,787. As of June 30, 2023, the value of the subscription liabilities is $3,041,300. The subscriptions have interest rates between 2.02% and 3.24%. The subscriptions' estimated useful lives were between 2 and 6 years as of their contract commencements. The value of the intangible right-to-use subscription assets as of June 30, 2023 is $3,147,854, net of accumulated amortization of $1,093,933, and is included with noncurrent assets on the statement of net position (deficit).

Future minimum payments under these subscriptions are as follows:

Year ending June 30,	
2024	$1,239,782
2025	650,866
2026	531,750
2027	531,750
2028	265,875
Less: amount representing interest	(178,723)
Present value of minimum subscription payments	$3,041,300

(14) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Monroe Career and Technical Institute

The District and three other school districts in Monroe County participate in the Monroe Career and Technical Institute (***"MCTI"***). MCTI provides vocational-technical training and education to students of the participating school districts and is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of MCTI operations is the responsibility of the joint board. The District's share of operating costs for MCTI fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2022 – 2023 was $3,135,077.

Monroe County Area Vocational-Technical School Authority

The District and three other school districts in Monroe County participate in joint venture for the operation of the Monroe County Area Vocational-Technical School Authority (***"Authority"***). The Authority oversees acquiring, holding, constructing, improving and maintaining the MCTI school buildings and is controlled by a joint board comprised of representative school board members of the participating school districts in the MCTI.

Both the MCTI and the Authority prepare financial statements that are available to the public from their administrative offices located at 194 Laurel Lake Road, Bartonsville, Pennsylvania 18321.

Colonial Intermediate Unit

The District and twelve other school districts from Northampton, Monroe and Pike counties are participating members of the Colonial Intermediate Unit – 20 (***"Colonial"***). Colonial 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 district. The School Board of each participating district must approve the annual operating budget of Colonial but the participating districts have no ongoing fiduciary interest or responsibility to Colonial. Colonial is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services. The Colonial Intermediate Unit – 20 prepares financial statements that are available to the public from their administrative offices located at 6 Danforth Drive, Easton, PA 18045.

(15) 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 management does 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. However, the District believes that the settlement of any outstanding litigation or claims will not materially affect the District's financial position or results of operations. Due to the uncertainty related to litigation and claims and the settlement process, it is at least reasonably possible that the District's assessment of potential losses could change materially in the near term.

(16) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during 2022 – 2023. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District administers self-insurance programs to provide for health and workers' compensation insurance and related expenses for eligible employees, spouses and their dependents. Benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District has recorded a current liability in the Internal Service Funds for claims incurred and a noncurrent liability for future estimated payments on existing active claims through June 30, 2023. The current insurance claims payable liability has historically been satisfied within 120 days after June 30, while the noncurrent insurance claim obligation liability is funded for payment by the General Fund as they become due and payable.

The following table presents the components of the self-insurance benefit obligation and the related changes in the benefit obligation at June 30, 2023 and 2022:

	2023		
	Health Insurance	Workers' Compensation	Total
Insurance claims liability – beginning of year	$ 1,277,259	$1,551,303	$ 2,828,562
Current year insurance claims and changes in estimates	25,759,453	712,238	26,471,691
Insurance claims paid	(25,982,366)	(693,401)	(26,675,767)
Insurance claims liability – end of year	$ 1,054,346	$1,570,140	$ 2,624,486

	2022		
	Health Insurance	Workers' Compensation	Total
Insurance claims liability – beginning of year	$ 1,351,208	$1,432,001	$ 2,783,209
Current year insurance claims and changes in estimates	23,816,690	737,112	24,553,802
Insurance claims paid	(23,890,639)	(617,810)	(24,508,449)
Insurance claims liability – end of year	$ 1,277,259	$1,551,303	$ 2,828,562

(17) TAX INCREMENT FINANCING DISTRICT

The District, the Township of Tobyhanna and the County of Monroe (***"taxing bodies"***) have entered into a tax increment financing agreement (***"Tobyhanna TIF agreement"***) with the Monroe County Industrial Development Authority (***"Authority"***). In conjunction with the Tobyhanna TIF agreement, the Authority has created a tax increment financing district (***"Tobyhanna TIF District"***) in the Township of Tobyhanna and prepared a project plan (***"Tobyhanna TIF project"***) which includes, among other things, road improvements and related infrastructure improvements for the benefit of the Tobyhanna TIF District. Under the Tobyhanna TIF agreement, the District will allocate to the Authority 100% of real estate taxes resulting from an increase in the total market value of taxable real property in the Tobyhanna TIF District as a result of changes in the assessed valuation in excess of the real estate tax assessment as determined by the County of Monroe Property Assessment Office as of August, 2013, the Authority will expend the real estate tax revenues generated by the Tobyhanna TIF District for reasonable and necessary costs of the Tobyhanna TIF project. The Tobyhanna TIF District will terminate after a period of twenty (20) years and any remaining balance after payment of all costs of the Tobyhanna TIF project will be returned to the taxing bodies. During 2022-2023, the District paid the Authority $2,152,414 under the Tobyhanna TIF agreement.

The District, the Township of Pocono and the County of Monroe (***"taxing bodies"***) have entered into a tax increment financing agreement (***"Pocono TIF agreement"***) with the Monroe County Industrial Development Authority (***"Authority"***). In conjunction with the Pocono TIF agreement, the Authority has created a tax increment financing district (***"Pocono TIF District"***) in the Township of Pocono and prepared a project plan (***"Pocono TIF project"***) which includes, among other things, road improvements and the purchase and installation of furniture, fixtures and equipment for the benefit of the Pocono TIF District. Under the Pocono TIF agreement, the District will allocate to the Authority 100% of real estate taxes resulting from an increase in the total market value of taxable real property in the Pocono TIF District as a result of changes in the assessed valuation in excess of the real estate tax assessment as determined by the County of Monroe Property Assessment Office as of August, 2013, the Authority will expend the real estate tax revenues generated by the Pocono TIF District for reasonable and necessary costs of the Pocono TIF project. The Pocono TIF District will terminate after a period of twenty (20) years and any remaining balance after payment of all costs of the Pocono TIF project will be returned to the taxing bodies. During 2022-2023, the District paid the Authority $1,277,815 under the Pocono TIF agreement.

(18) TAX ABATEMENT PROGRAM

Local Economic Revitalization Tax Abatement Program (***"LERTA"***) was put in place to encourage large investments into economic development or re-development of difficult and undesirable properties.

The District enters into tax abatement agreements with local businesses under LERTA to grant tax exemptions to certain eligible properties. Under LERTA, the District may grant property tax abatement over a ten (10) year sliding scale whereby the eligible property is 100% tax exempt on new construction or substantial renovation in the first year and is reduced by ten percent each year until the eleventh year. To be eligible for LERTA, the value of commercial building renovations, site improvements or new construction must be reviewed by the County, Municipality and School District prior to final approval. As of June 30, 2023, there were two (2) active properties in the LERTA program and one (1) property is approved for LERTA. However, the property owner has not completed new construction or property rehabilitation.

(19) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 96, the District made a prior period adjustment to record its subscription liability and right-to-use subscription assets related to subscription agreements. These prior period adjustments and its effect on net position at July 1, 2022 was an increase in net capital assets of $2,224,450 and an increase in subscription liabilities of $2,224,450.

(20) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2024, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

On October 11, 2023, the District issued $15,000,000 of general obligation notes, Series of 2023, the proceeds from which were to be used towards providing funds for various improvements and upgrades to District facilities, fund capitalized interest on the notes, and to pay for the costs of issuance.