



MUHLENBERG SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Muhlenberg School District
Laureldale, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muhlenberg School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Muhlenberg 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 Muhlenberg School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Muhlenberg 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 Muhlenberg 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 Muhlenberg School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and the pension and other postemployment benefit information on pages 86 through 90 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 Muhlenberg School District's basic financial statements. The accompanying combining nonmajor governmental funds financial statements and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024, on our consideration of Muhlenberg School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muhlenberg School District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
December 4, 2024**



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This section of the Muhlenberg School District's annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2024. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

Financial Highlights

- The District's overall net position increased (improved) by \$9.68 million from June 30, 2023 to June 30, 2024. Governmental activities net position increased by \$8.99 million, and business-type activities net position increased by \$691,825. The District's total net position at June 30, 2024 was \$1,502,919, consisting of a \$57,640 deficit for governmental activities and a \$1,560,559 net position for business-type activities. The District's net position is reduced by approximately \$82.9M due to the net pension and other postemployment benefits liabilities and related deferred inflows and outflows of resources.
- Total governmental revenues increased from \$74.66 million in 2022-23 to \$82.39 million in 2023-24. Total governmental activities expenses increased from \$66.25 million to \$73.40 million. Governmental activities general revenues in the form of property and other taxes along with state subsidies, investment earnings, and other revenues accounted for \$62.9 million or 76.4% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$19.5 million, or 23.6% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$55.3 million or 75.3% of total expenses. Operation and maintenance of plant, administrative, financial support and other services totaled \$18.1 million or 24.7% of total expenses.
- Business-type activities revenues decreased from \$4.14 million in 2022-23 to \$4.09 million in 2023-24. Business-type activities expenses increased from \$3.06 million to \$3.40 million. Federal subsidy receipts, which make up approximately 83.6% of total business-type revenues, declined approximately \$102,603 from the prior year.

- The Taxpayer Relief Act (Act 1) of 2006 subjects Pennsylvania Public Schools to a real estate property tax cap, or adjusted tax cap, if applicable, as part of the annual budget process. For fiscal year 2023-24, the District's adjusted tax index was 5.80%, or 1.869 mills. The property tax rate for 2023-24 was increased from 32.23 mills to 34.099 mills, which was within the Act 1 allowable limit. Real estate tax revenue increased \$3.20M, or 8.4%, over the prior year.
- The required District contribution to the Public School Employees' Retirement System (PSERS) decreased from 35.26% to 34.00% in 2023-24. This change in rate represents the first decrease in the employer rate in over ten (10) years. Total PSERS contributions for the fiscal year ending June 30, 2024 were \$11.1M compared to \$10.4M for the prior fiscal year. While projections from PSERS indicate anticipated rate increases for the next several years, the fiscal year 2024-25 employer rate has been approved at 33.90%.
- During fiscal year ending June 30, 2024, the District Board approved the issuance of General Obligation Bonds, Series of 2023, in the aggregate principal amount of \$14,800,000. These bond proceeds, the first of several borrowings expected, will be used to fund a multi-phase building project that the District is undertaking in response to significant increases in student enrollment. The bonds closed on November 29, 2023. Total debt service expenditures for 2023-24, related to this bond issue, were \$340,354.

Overview of the Financial Statements

The District's financial statements, submitted with this analysis, are comprised of district-wide financial statements, fund financial statements, and notes to the basic financial statements. In addition, other required supplementary information and supplementary information to the basic financial statements is provided as listed in the table of contents. The basic financial statements include two statements, which present different views of the District. The first two statements are district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both short-term and long-term information about the District's overall financial position. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The governmental fund statements indicate how basic services such as regular and special education were financed in the short term as well as indicate future spending plans. Proprietary fund statements offer short term and long-term financial information about the activities the District operates like a business; namely the food service fund.

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

Figure 1 shows how the various parts of this annual report are arranged and related to one another.

Figure 1
Required Components of the Muhlenberg School District's Financial Report

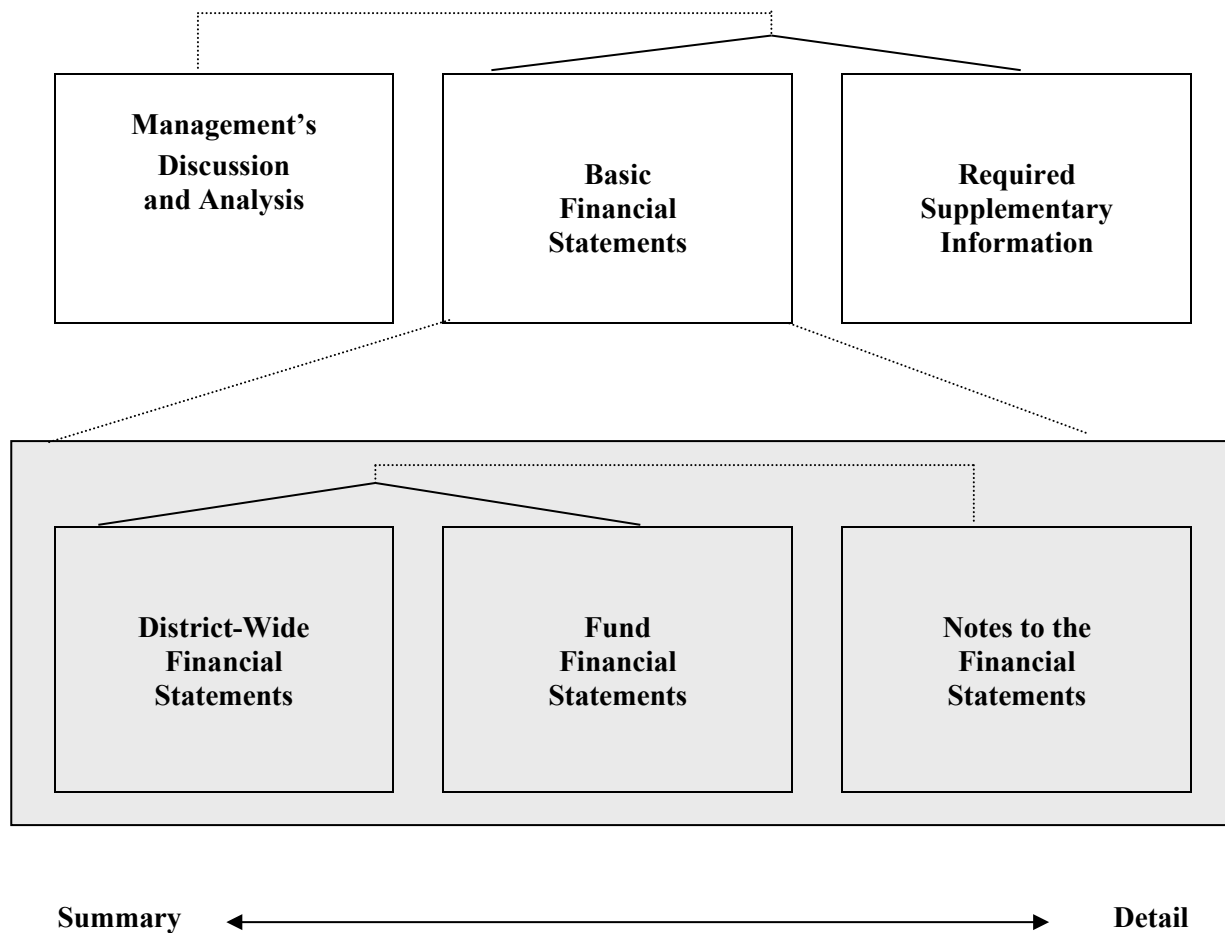


Figure 2 summarizes the major features of the District’s financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure 2

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

District-Wide Financial Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Statement of Activities is focused on both the gross and net cost of various activities (including governmental and business-type), which are funded by the government's general tax and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position is one way of measuring the District's financial health or position. Over time, increases and decreases in the District's net position is an indication of whether the District's financial health is improving or deteriorating.

The district-wide financial statements are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services, and administrative services. Property taxes and state subsidies finance most of these activities.
- **Business-Type Activities:** This activity reflects private sector type operations (food service), where the fee for service typically covers all or most of the cost of operations, including depreciation. Because the Districts operates under the USDA's Community Eligibility Provision (CEP) program, the primary funding source of this activity falls under Operating Grants and Contributions (federal aid).

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the District. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds rather than fund types. The governmental major fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs.

The District's funds are divided into two categories - (1) governmental and (2) proprietary:

- **Governmental funds** - Most of the District's basic services are included in governmental funds that focus on how money flows into and out of these funds and the balances left at year-end for future spending. The governmental fund financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the District's programs. Governmental funds are reported using the modified accrual accounting method, which records revenues when they are available and measurable, and expenses when liabilities are incurred. Because this information does not encompass the additional long-term focus of the District-wide statements, an explanation of the relationship (and differences) between the fund statements and District-wide statements is provided on the reconciliations following the fund statements.

- Proprietary fund (Enterprise) - Services for which the District charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method - the same method used by private sector businesses. The Food Service column on the proprietary fund financial statements is the same as the business-type column at the district-wide financial statement level.

Financial Analysis of the District as a Whole

The Statement of Net Position contains information about what the District owns (assets); what the District owes (liabilities), deferred inflows and outflows of resources, and the net position balances such as net investment in capital assets, restricted for programs and/or capital projects, and unrestricted (deficit). The District's overall Net Position improved by \$9,684,516 from 2023 to 2024. This favorable improvement to the District's financial position is comparable to the prior year when overall Net Position improved by \$9,496,662. Total ending Net Position at June 30, 2024 is \$1,502,919. The following table provides a summary of the District's statement of net position for the year ended June 30, 2024 compared to June 30, 2023.

Table 1 is a comparative summary of condensed net position for the years ended June 30, 2024 and June 30, 2023.

Table 1 - Condensed Statement of Net Position

	2024			2023		
	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	type	Primary	Activities	type	Primary
		Activities	Government		Activities	Government
Assets						
Current and other assets	\$ 49,964,334	\$ 3,660,005	\$ 53,624,339	\$ 32,143,722	\$ 2,989,705	\$ 35,133,427
Capital assets	67,693,421	166,490	67,859,911	68,142,322	160,560	68,302,882
Total Assets	117,657,755	3,826,495	121,484,250	100,286,044	3,150,265	103,436,309
Deferred Outflows of Resources	17,199,599	915,759	18,115,358	16,722,253	646,959	17,369,212
Liabilities						
Current liabilities	15,383,828	69,009	15,452,837	14,067,229	67,864	14,135,093
Long-term liability	113,479,485	2,983,073	116,462,558	105,200,244	2,718,102	107,918,346
Total Liabilities	128,863,313	3,052,082	131,915,395	119,267,473	2,785,966	122,053,439
Deferred Inflows of Resources	6,051,681	129,613	6,181,294	6,791,155	142,524	6,933,679
Net Position						
Net investment in Capital assets	52,626,860	166,490	52,793,350	51,039,224	160,560	51,199,784
Restricted	3,257,240	-	3,257,240	2,124,727	-	2,124,727
Unrestricted	(55,941,740)	1,394,069	(54,547,671)	(62,214,282)	708,174	(61,506,108)
Total Net Position (Deficit)	\$ (57,640)	\$ 1,560,559	\$ 1,502,919	\$ (9,050,331)	\$ 868,734	\$ (8,181,597)

Change in Net Position

The results of operations for the fiscal year ended June 30, 2024 as a whole are reported in the Statement of Activities. The District's improved financial position is the product of many factors – but primarily driven by a continued increase in revenues.

Revenues, both local and state, continue to exceed budgeted projections. Revenue from interest earnings, earned income taxes and business privilege taxes, along with the State Basic Education Subsidy and Ready to Learn Block Grant all increased over the prior year and over budget projections. Local revenues, excluding current year property taxes increased \$1.24 million, or 13.57%, over the prior year. State funding increased \$2.71 million, or 11.55%, over the prior year.

Current property tax receipts increased \$3.20 million, or 8.4% over the prior year. The property tax rate of 34.099 mills for the fiscal year ended June 30, 2024 was an increase of 1.869 mills (5.8%) over the 2023 tax rate of 32.23 mills. Property taxes, along with other taxes levied for general purposes, made up 58.8% of total Governmental revenues in 2024, compared to 60.3% for fiscal year 2023.

The total cost of all programs and services increased by \$7,489,769, or 10.8% to \$76,746,281. The District's governmental activities expenses are predominately related to instructing, caring for (instructional support services and operation/maintenance of school facilities) and transporting students, which represents 85.36% or \$62,656,314 of total governmental activities expenses. Instructional expenses, which are the largest category, increased by \$3,343,629 or 7.96% over the prior year. The functional expenses of the District remain proportionately the same when compared to functional expenses for operations in the prior year.

Table 2 is a comparative summary of changes in net position for the years ended June 30, 2024 and June 30, 2023.

Table 2 - Changes in Net Position

	2024			2023		
	Governmental	Business-type	TOTAL	Governmental	Business-type	TOTAL
	Activities	Activities		Activities	Activities	
	\$	\$	\$	\$	\$	\$
Revenues						
Program Revenues						
Charges for Services	395,215	127,413	522,628	403,477	162,155	565,632
Operating grants & contributions	18,299,534	3,882,435	22,181,969	16,755,217	3,954,733	20,709,950
Capital grants & contributions	772,181	-	772,181	1,279,501	-	1,279,501
General Revenues						
Property taxes & other taxes levied for general purposes	48,432,345	-	48,432,345	45,041,491	-	45,041,491
Grants, subsidies, and contributions not restricted	11,585,029	-	11,585,029	9,983,047	-	9,983,047
Other	2,852,289	84,356	2,936,645	1,143,679	29,874	1,173,553
Total Revenues	82,336,593	4,094,204	86,430,797	74,606,412	4,146,762	78,753,174
Expenses						
Instruction	45,308,584	-	45,308,584	41,964,955	-	41,964,955
Instructional student support	7,467,767	-	7,467,767	6,185,991	-	6,185,991
Administrative & financial support services	7,601,167	-	7,601,167	6,360,947	-	6,360,947
Operation & maintenance of plant services	7,384,006	-	7,384,006	6,248,537	-	6,248,537
Pupil transportation	2,495,957	-	2,495,957	2,418,828	-	2,418,828
Other	3,143,918	3,344,882	6,488,800	3,071,737	3,005,517	6,077,254
Total Expenses	73,401,399	3,344,882	76,746,281	66,250,995	3,005,517	69,256,512
Excess of revenues over before transfers	8,935,194	749,322	9,684,516	8,355,417	1,141,245	9,496,662
Transfers	57,497	(57,497)	-	58,761	(58,761)	-
Change in Net Position	8,992,691	691,825	9,684,516	8,414,178	1,082,484	9,496,662
Net Position (Deficit) - Beginning	(9,050,331)	868,734	(8,181,597)	(17,464,509)	(213,750)	(17,678,259)
Net Position (Deficit) - Ending	(57,640)	1,560,559	1,502,919	(9,050,331)	868,734	(8,181,597)

Table 3 focuses on the six (6) major District activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other activities. Other activities can be further defined as interest on long-term debt, student activities and athletics, and community services. The table also shows each of the activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost indicates the financial reliance placed on the District's taxpayers by each of these functions. Local taxes supported approximately 73.47% and 72.17% of governmental activities for fiscal years ending June 30, 2024 and June 30, 2023, respectively.

Table 3 - Net Cost of Governmental Activities and Business-Type Activities

	2024		2023	
	Total Cost of Services	Net Cost (Income) of Services	Total Cost of Services	Net Cost (Income) of Services
Governmental Activities:				
Instruction	\$ 45,308,584	\$ 31,913,369	\$ 41,964,955	\$ 29,306,560
Instructional Student Support	7,467,767	5,816,512	6,185,991	4,624,050
Administrative and Financial Support Services	7,601,167	6,597,579	6,360,947	5,461,558
Operation and Maintenance of Plant Services	7,384,006	6,375,823	6,248,537	5,722,770
Pupil Transportation	2,495,957	1,626,754	2,418,828	1,679,948
Other	3,143,918	1,604,432	3,071,737	1,017,914
Total Governmental Activities	\$ 73,401,399	\$ 53,934,469	\$ 66,250,995	\$ 47,812,800
Business-Type Activities				
Food Service	3,344,882	(664,966)	3,005,517	(1,111,371)
Total Primary Government	\$ 76,746,281	\$ 53,269,503	\$ 69,256,512	\$ 46,701,429

Financial Analysis of the District's Funds

At June 30, 2024, governmental funds reported total fund balances of \$39,810,797, which represents an increase of \$16,766,703 over the prior year. Of this increase, \$12.88 million is attributable to the increase in cash & investments in the Capital Projects Fund, related to proceeds from the 2023 G.O. Bonds received, but not yet spent. Another \$3.84 million of the increase is the surplus from operations generated in the General Fund. Of the General Fund's \$24.7 million fund balance, \$18.0 million is assigned for future costs of new construction. Another \$6.7 million of fund balance is considered unassigned, and represents 8.0% of the next year's budgeted expenditures. This amount represents approximately one (1) month of District expenditures, and is the maximum allowed by the PA Public School Code in an unassigned fund balance category. The entire \$14.4 million in the Capital Project's fund balance is restricted for future costs of new construction.

At June 30, 2024, the business-type activities (food service) reported total fund balances of \$1,560,559, which represents an increase of \$691,825 over the prior year. This improvement in financial position was driven entirely by the subsidy revenue received by the District through the USDA's Community Eligibility Provision program. This program, which subsidizes both breakfast and lunch for all District students, has a reimbursement rate that exceeds the District's actual cost, resulting in a surplus in operations. The District must report annually to USDA, its plans to spend down this surplus of fund balance. Currently those plans include the purchase of new, as well as the replacement of old, food department equipment and appliances.

Table 4 - Fund Balance

		Fund Balance June 30, 2024	Fund Balance June 30, 2023	Increase/ (Decrease)
General Fund				
	Nonspendable	\$ 15,896	\$ 23,437	\$ (7,541)
	Assigned	18,051,223	14,682,987	3,368,236
	Unassigned	6,695,170	6,212,943	482,227
Capital Projects				
	Restricted	14,451,385	1,565,486	12,885,899
Special Revenue				
	Restricted	597,123	559,241	37,882
Total Governmental		\$ 39,810,797	\$ 23,044,094	\$ 16,766,703
Food Service				
	Investment in Capital Assets	166,490	160,560	5,930
	Unrestricted	1,394,069	708,174	685,895
Total Business-Type		\$ 1,560,559	\$ 868,734	\$ 691,825

General Fund Budgetary Highlights

The General Fund generated a surplus of \$3,842,922 for the year ended June 30, 2024. The original budget adopted by the District Board was a balanced budget.

During the year, the District received general fund revenues from local, state, federal, and other financing sources that exceeded budget projections by approximately \$4,574,068 million. Local revenues collected were \$2.0 million more than budget. Despite projections that local revenues would remain stagnant and interest rates would begin to decline, interest earnings and earned income taxes were much higher than forecasted. State revenues were \$1.5 million more than budget. The net positive variance was primarily due to the significant increase in the State's Basic Education Funding (BEF) and the state funded Ready to Learn Block Grant (RTLBG). These two exceeded the budget by a combined \$1.1 million. The BEF allocation, determined as part of the State budget was not determined prior to the District adopting its budget. A one-time allocation increase of \$500k in the RTLBG for 2022-23, was made permanent in 2023-24, but only after the District budget was adopted. Federal revenues were \$258k more than budget. The remaining difference in revenues over budget was the recording of lease and other right to use arrangements of \$820k. These proceeds were not budgeted.

Actual general fund expenditures and other financing uses were more than budgeted expenditures by \$731,146, which was primarily due to two unanticipated transactions. The recording of \$749k in lease expenditures and the recording of a \$250k transfer to the Capital Reserve Fund were both unbudgeted. The lease transaction was recorded in accordance with GASB 87, and was offset by a revenue posting. The transfer to the Capital Reserve Fund was for State grant proceeds received during the year in the general fund. Those funds were a reimbursement of capital expenditures made from the Capital Reserve Fund. The final net change in fund balances for the General Fund was a surplus of \$3,842,922. From this surplus the District was able to allocate an additional \$3,368,236 to Assigned Fund Balance for future costs of new construction.

Capital Assets

During the fiscal year ended June 30, 2024, the District began the first phase of its multi-phase building project. This phase includes the construction of a new turf athletic field in the District stadium, a multi-purpose turf athletic field to serve the Junior High School and the community, and the construction of a new two-grade middle school building. At June 30th, none of these projects were completed. The District recognized depreciation and amortization expense in the amount of \$5,129,964 for the year.

Table 5 - Capital Assets (net of depreciation and amortization) at June 30 is as follows:

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 577,416	\$ 577,416	\$ -	\$ -	\$ 577,416	\$ 577,416
Construction In Progress	3,090,001	107,340	-	-	3,090,001	107,340
Right-to-use Assets	1,458,200	516,037	-	-	1,458,200	516,037
Site Improvements	4,243,925	4,857,464	-	-	4,243,925	4,857,464
Building and Building Improvements	52,683,772	56,028,152	-	-	52,683,772	56,028,152
Leasehold Improvements	3,961,373	4,318,644	-	-	3,961,373	4,318,644
Furniture and Equipment	1,678,734	1,737,269	166,490	160,560	1,845,224	1,897,829
Total	\$67,693,421	\$68,142,322	\$ 166,490	\$ 160,560	\$67,859,911	\$68,302,882

More detailed information regarding the District's capital assets is included in the notes to the basic financial statements.

Long-Term Debt

During the year ended June 30, 2024, the District issued General Obligation Bonds, Series 2023 in the aggregate amount of \$14,800,000. The bonds are to be used for the cost of construction and professional fees related to the District's multi-phase building project, and to pay bond issuance costs. Principal payments of \$5,000 during the year ended June 30, 2024 reduced the total outstanding balance on these bonds to \$14,795,000. Final bond maturity is May 15, 2053.

With the issuance of GOB 2023, the District was subject to a credit review by Moody's Investors Service which resulted in a very positive bond rating of Aa2. This was unchanged from the District's previous bond rating.

Principal payments of \$2,765,000 & \$2,450,000 during the year ended June 30, 2024, on GOB 2020 and GOB 2019, respectively, reduced the total outstanding balance on these bonds to \$10,360,000. Final bond maturity is May 15, 2026, for both issues.

	Long Term Debt		
	June 30, 2024 Balance	June 30, 2023 Balance	Change
General Obligation Bonds			
Series of 2019	\$ 8,275,000	\$ 10,725,000	\$ (2,450,000)
Series of 2020	2,085,000	4,850,000	(2,765,000)
Series of 2023	14,795,000		14,795,000
Total General Obligation Bonds	\$ 25,155,000	\$ 15,575,000	\$ 9,580,000

During the year ended June 30, 2024, the District issued \$820,241 of lease and subscription liabilities. Principal among these was the addition of \$620,255 for a three (3) year lease of modular classrooms and \$149,193 for a five (5) year lease of district-wide multifunction printers. Principal payments on all lease and subscription liabilities during the year were \$262,252. The total liability at June 30, 2024 was \$899,426.

The liability for the long-term portion of compensated absences is consistent compared to the prior fiscal year. The District's net pension liability and OPEB liabilities were adjusted as required based on reports received from PSERS and the District's actuary. More detailed information about our long-term liabilities is included in the notes to the basic financial statements.

Factors Bearing on the District's Future

Currently known plans and circumstances that will impact the District's financial status in the future:

- During fiscal year 2022, the District contracted to have an updated District Wide Facilities Feasibility Study - Enrollment Projection Analysis prepared. This study was prepared to analyze and review facilities to ensure that the District has adequate capacity for the current and projected enrollment. The 10 year projection showed enrollment growing by more than 800 additional students by the year 2031-32. Growth over the previous ten year period was just over 700 students. This significant growth in student enrollment has created the need for the District to begin serious discussions regarding the most effective means to address this growing concern. Possible solutions include the expansion of existing facilities along with the construction of brand new buildings. To that end, the District has begun Phase 1 of a construction project, which includes the construction of a new grade 5-6 building, athletic field replacement/improvements and parking and on-campus roadway improvements. The projected cost of Phase 1 is approximately \$70M. As part of the initial Phase 1 construction, the District has entered into a 36-month lease agreement for modular classrooms which commenced in September 2023. The 13 modular classrooms provide a stopgap measure to control overcrowding at the elementary level until the completion of the new 5-6 building, which is projected to be the summer of 2026.
- Local, State and National worker shortages have created a very competitive job market which continues to be a challenge for the District to navigate. Teacher certifications in Pennsylvania have decreased significantly over a ten (10) year period from 2014 to 2024. With the continued growth in student enrollment, the District will need to add even more staff members from a very limited pool of candidates.
- The future of public education funding is uncertain. Over time the burden of funding public education has shifted more and more from the State and Federal Government to the local tax payers. In February 2023, the Commonwealth Court issued a historic ruling in the Pennsylvania school funding case, declaring that the PA school funding formula was unconstitutional. A bipartisan panel of legislators and Pennsylvania education officials known as the Basic Education Funding Commission (BEFC) was formed in response to this ruling. This committee was tasked with developing recommendations to create a more equitable and appropriate funding mechanism. In response to the BEFC's recommendations, the Commonwealth's 2024-25 budget included an additional \$1.99M in Supplemental Ready to Learn Block Grant funding for the District. With the acceptance of this funding, the District waives its right to apply for referendum exceptions, which would allow the District to raise taxes higher than its adjusted index. It is unknown if this funding will be sustained, increased or eliminated for future budget years.
- School districts of Pennsylvania are subject to a real estate property tax increase cap. As legislated by Act 1 of the 2006 Special Session of the Legislature, each September the Pennsylvania Department of Education (PDE) issues the base index for the subsequent fiscal year school budget. This index is used to determine the allowable increase for millage on real estate taxes. Because Muhlenberg School District has a market value/personal income aid ratio (MV/PI) greater than .4000, the base index may be adjusted upward by multiplying the base index by the sum of $0.75 + \text{MV/PI}$.
 - The State's base index for the 2024-25 budget was 5.3% and the District's MV/PI aid ratio was 0.6721. The District's adjusted index permitted a 7.5% millage increase in real estate taxes and the District increased the real estate tax rate by 2.557 mills or 7.5%.
 - The State's base index for the 2025-26 budget is 4.0% and the District's MV/PI aid ratio is 0.6814. The District's adjusted index allows for a 5.7% millage increase in real estate taxes. The District has not yet adopted this budget.

- Over a period of 6 years from 2012 to 2018 the District experienced a decline of \$15M in its total taxable assessment. Six years later, in 2024, the District's tax base has recovered to the level it was at in 2012. Despite continued commercial, industrial and residential growth, the recovery continues to be slow, due to the rising number of successful assessment appeals filed by large commercial and industrial tax payers. There are numerous assessments currently under appeal which could result in future reductions to the District's taxable assessment. Conversely, the District currently has five (5) commercial properties in an approved tax abatement program (LERTA). The total anticipated increase in assessed value for these five properties will be approximately \$23M over the next six to nine years.
- All District Collective Bargaining Agreements and Administrative Contracts are in the second year of a five (5) year term. All four (4) contracts are effective through June 30, 2028.
- Muhlenberg School District is a member of the Berks County Health Trust Consortium that contracts for employee medical insurance coverage plans. The Consortium changed to a self-funded program which became effective July 1, 2012. Approved premium increases for the years ended June 30, 2024, June 30, 2023 and June 30, 2022, were 8.75%, 1.50%, 0.00%, respectively. The approved rate increase for fiscal year 2024-25 was 12.00%.
- The cost of special education services continues to increase at a concerning rate. Over the last (6) years, District special education expenditures have increased \$4.66 million or 57.2%. During that same time the State and Federal share of these costs has increased \$1.45 million. The increase in State and Federal funding represents only 31.2% of the total increase in costs. This shortfall in funding for the special education mandate from State and Federal sources means these increases must be funded primarily by locally generated revenue, including real estate taxes.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Muhlenberg School District, 801 Bellevue Avenue, Reading, PA 19605-1799.

MUHLENBERG SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 44,065,997	\$ 3,506,814	\$ 47,572,811
Internal balances	23,058	(23,058)	-
Taxes receivable, net	891,779	-	891,779
Intergovernmental receivables	4,868,123	42,390	4,910,513
Other receivables	77,325	867	78,192
Lease receivable	22,156	-	22,156
Inventories	-	132,992	132,992
Prepaid expenses	15,896	-	15,896
Capital assets:			
Capital assets not being depreciated	3,667,417	-	3,667,417
Capital assets, net of accumulated depreciation	62,567,804	166,490	62,734,294
Right-to-use assets, net of accumulated amortization	1,458,200	-	1,458,200
TOTAL ASSETS	117,657,755	3,826,495	121,484,250
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	17,606	-	17,606
Deferred outflows of resources for pension	15,781,832	862,656	16,644,488
Deferred outflows of resources for other postemployment benefits	1,400,161	53,103	1,453,264
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,199,599	915,759	18,115,358
LIABILITIES			
Accounts payable	2,020,036	1,649	2,021,685
Accrued interest	155,706	-	155,706
Accrued salaries and benefits	7,473,310	8,711	7,482,021
Unearned revenues	8,924	58,649	67,573
Other current liabilities	56,917	-	56,917
Noncurrent liabilities, due within one year	5,668,935	-	5,668,935
Noncurrent liabilities:			
Bonds payable, net	20,626,009	-	20,626,009
Leases payable	467,364	-	467,364
Subscription liability	113,127	-	113,127
Long-term portion of compensated absences	383,909	15,766	399,675
Net pension liability	83,842,582	2,816,418	86,659,000
Net other postemployment benefit liabilities	8,046,494	150,889	8,197,383
TOTAL LIABILITIES	128,863,313	3,052,082	131,915,395
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for lease revenues	23,971	-	23,971
Deferred inflows of resources for pension	2,837,242	85,215	2,922,457
Deferred inflows of resources for other postemployment benefits	3,190,468	44,398	3,234,866
TOTAL DEFERRED INFLOWS OF RESOURCES	6,051,681	129,613	6,181,294
NET POSITION			
Net investment in capital assets	52,626,860	166,490	52,793,350
Restricted for capital projects	2,660,117	-	2,660,117
Restricted for other purposes	597,123	-	597,123
Unrestricted (deficit)	(55,941,740)	1,394,069	(54,547,671)
TOTAL NET POSITION (DEFICIT)	\$ (57,640)	\$ 1,560,559	\$ 1,502,919

See accompanying notes.

MUHLENBERG SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 45,308,584	\$ 25,775	\$ 13,369,440	\$ -	\$ (31,913,369)	\$ -	\$ (31,913,369)
Instructional student support	7,467,767	-	1,651,255	-	(5,816,512)	-	(5,816,512)
Administrative and financial support services	7,601,167	-	1,003,588	-	(6,597,579)	-	(6,597,579)
Operation and maintenance of plant services	7,384,006	6,367	1,001,816	-	(6,375,823)	-	(6,375,823)
Pupil transportation	2,495,957	-	869,203	-	(1,626,754)	-	(1,626,754)
Student activities	2,417,722	363,073	273,628	-	(1,781,021)	-	(1,781,021)
Community services	195,186	-	130,604	-	(64,582)	-	(64,582)
Scholarships and awards	2,942	-	-	-	(2,942)	-	(2,942)
Interest on long-term debt	528,068	-	-	772,181	244,113	-	244,113
Total Governmental Activities	73,401,399	395,215	18,299,534	772,181	(53,934,469)	-	(53,934,469)
Business-Type Activities:							
Food services	3,344,882	127,413	3,882,435	-	-	664,966	664,966
Total Primary Government	\$ 76,746,281	\$ 522,628	\$ 22,181,969	\$ 772,181	(53,934,469)	664,966	(53,269,503)
General Revenues:							
Taxes:							
Property taxes					42,301,176	-	42,301,176
Public utility realty, earned income, local service tax, and business privilege tax					6,131,169	-	6,131,169
Grants, subsidies, and contributions not restricted for a specific program					11,585,029	-	11,585,029
Investment earnings					2,824,829	84,356	2,909,185
Miscellaneous income					27,460	-	27,460
Transfers					57,497	(57,497)	-
Total General Revenues and Transfers					62,927,160	26,859	62,954,019
Change in Net Position					8,992,691	691,825	9,684,516
Net Position (Deficit) - Beginning of Year					(9,050,331)	868,734	(8,181,597)
Net Position (Deficit) - End of Year					\$ (57,640)	\$ 1,560,559	\$ 1,502,919

See accompanying notes.

MUHLENBERG SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2024

	General	Capital Projects	Debt Service	Special Revenue (Nonmajor)	Total Governmental Funds
ASSETS					
Cash and investments	\$ 28,537,229	\$ 14,925,129	\$ -	\$ 603,639	\$ 44,065,997
Taxes receivable	903,419	-	-	-	903,419
Interfund receivables	23,058	-	-	-	23,058
Intergovernmental receivables	4,868,123	-	-	-	4,868,123
Other receivables	77,325	-	-	-	77,325
Lease receivables	22,156	-	-	-	22,156
Prepaid expenditures	15,896	-	-	-	15,896
TOTAL ASSETS	\$ 34,447,206	\$ 14,925,129	\$ -	\$ 603,639	\$ 49,975,974
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,539,776	\$ 473,744	\$ -	\$ 6,516	\$ 2,020,036
Accrued salaries and benefits	7,473,310	-	-	-	7,473,310
Unearned revenues	8,924	-	-	-	8,924
Other current liabilities	56,917	-	-	-	56,917
TOTAL LIABILITIES	9,078,927	473,744	-	6,516	9,559,187
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	582,019	-	-	-	582,019
Deferred inflows of resources for lease revenue	23,971	-	-	-	23,971
TOTAL DEFERRED INFLOWS OF RESOURCES	605,990	-	-	-	605,990
FUND BALANCES					
Nonspendable	15,896	-	-	-	15,896
Restricted	-	14,451,385	-	597,123	15,048,508
Assigned	18,051,223	-	-	-	18,051,223
Unassigned	6,695,170	-	-	-	6,695,170
TOTAL FUND BALANCES	24,762,289	14,451,385	-	597,123	39,810,797
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 34,447,206	\$ 14,925,129	\$ -	\$ 603,639	\$ 49,975,974

See accompanying notes.

MUHLENBERG SCHOOL DISTRICT

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

June 30, 2024

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 39,810,797
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Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$151,807,729 and the accumulated depreciation/amortization is \$84,114,308.	67,693,421
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Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.	570,379
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$ (25,155,000)	
Leases payable	(653,348)	
Subscription liability	(246,078)	
Accrued interest	(155,706)	
Unamortized bond premiums	(821,009)	
Deferred charge on bond refunding	17,606	
Long-term portion of compensated absences	(383,909)	(27,397,444)

The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.	(70,897,992)
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The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.	(9,836,801)
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TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	\$ (57,640)
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MUHLENBERG SCHOOL DISTRICT

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

For the Year Ended June 30, 2024

	General	Capital Projects	Debt Service	Special Revenue (Nonmajor)	Total Governmental Funds
REVENUES					
Local sources	\$ 51,565,709	\$ 509,186	\$ -	\$ 343,960	\$ 52,418,855
State sources	26,169,657	-	-	-	26,169,657
Federal sources	3,616,766	-	-	-	3,616,766
TOTAL REVENUES	81,352,132	509,186	-	343,960	82,205,278
EXPENDITURES					
Current:					
Instructional services	44,064,197	-	-	-	44,064,197
Support services	23,812,237	421,592	-	-	24,233,829
Operation of noninstructional services	1,942,182	98,444	-	306,078	2,346,704
Capital outlay	1,122,314	3,206,416	-	-	4,328,730
Debt service:					
Principal	262,252	-	5,220,000	-	5,482,252
Interest	38,845	-	822,855	-	861,700
Refund of prior year revenues	1,560	-	-	-	1,560
TOTAL EXPENDITURES	71,243,587	3,726,452	6,042,855	306,078	81,318,972
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,108,545	(3,217,266)	(6,042,855)	37,882	886,306
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	14,800,000	-	-	14,800,000
Bond premiums	-	196,662	-	-	196,662
Proceeds from issuance of leases and other right-to-use assets	820,241	-	-	-	820,241
Transfers in	57,497	1,106,503	6,042,855	-	7,206,855
Sale of capital assets	5,809	-	-	-	5,809
Insurance recoveries	188	-	-	-	188
Transfers out	(7,149,358)	-	-	-	(7,149,358)
TOTAL OTHER FINANCING SOURCES (USES)	(6,265,623)	16,103,165	6,042,855	-	15,880,397
NET CHANGE IN FUND BALANCES	3,842,922	12,885,899	-	37,882	16,766,703
FUND BALANCES - BEGINNING OF YEAR	20,919,367	1,565,486	-	559,241	23,044,094
FUND BALANCES - END OF YEAR	\$ 24,762,289	\$ 14,451,385	\$ -	\$ 597,123	\$ 39,810,797

See accompanying notes.

MUHLENBERG SCHOOL DISTRICT

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

For the Year Ended June 30, 2024

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

NET CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 16,766,703
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.

Capital outlays	\$ 4,666,834	
Less: depreciation and amortization expense	<u>(5,115,735)</u>	(448,901)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds.	125,318
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Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Issuance of bond - principal	(14,800,000)	
Issuance of bond - premium	(196,662)	
Repayment of bond principal	5,220,000	
Issuance of leases	(749,446)	
Issuance of subscription liabilities	(70,795)	
Repayment of lease principal	115,415	
Repayment of subscription liability	146,837	
Amortization of bond premium	585,349	
Amortization of deferred charge on bond refunding	<u>(166,464)</u>	(9,915,766)

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.	(85,253)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	(35,447)	
Net pension liability and related deferred outflows and inflows	2,632,114	
Net OPEB liability and related deferred outflows and inflows	<u>(46,077)</u>	2,550,590

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ 8,992,691</u>
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MUHLENBERG SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2024

	<u>Enterprise Fund Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 3,506,814
Intergovernmental receivables	42,390
Other receivables	867
Inventories	<u>132,992</u>
TOTAL CURRENT ASSETS	3,683,063
NONCURRENT ASSETS	
Fixtures and equipment, net	<u>166,490</u>
TOTAL ASSETS	<u>3,849,553</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	862,656
Deferred outflows of resources for other postemployment benefits	<u>53,103</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>915,759</u>
LIABILITIES	
CURRENT LIABILITIES	
Interfund payables	23,058
Accounts payable	1,649
Accrued salaries and benefits	8,711
Unearned revenues	<u>58,649</u>
TOTAL CURRENT LIABILITIES	92,067
NONCURRENT LIABILITIES	
Compensated absences	15,766
Net pension liability	2,816,418
Net other postemployment benefit liabilities	<u>150,889</u>
TOTAL NONCURRENT LIABILITIES	<u>2,983,073</u>
TOTAL LIABILITIES	<u>3,075,140</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	85,215
Deferred inflows of resources for other postemployment benefits	<u>44,398</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>129,613</u>
NET POSITION	
Investment in capital assets	166,490
Unrestricted	<u>1,394,069</u>
TOTAL NET POSITION	<u><u>\$ 1,560,559</u></u>

See accompanying notes.

MUHLENBERG SCHOOL DISTRICT

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

For the Year Ended June 30, 2024

	<u>Enterprise Fund Food Service</u>
OPERATING REVENUES	
Food service revenue	\$ 127,413
OPERATING EXPENSES	
Salaries	1,108,237
Employee benefits	574,838
Pension and OPEB valuation adjustments	(18,025)
Other purchased services	77,645
Supplies	1,582,547
Depreciation	14,229
Other operating expenses	<u>5,411</u>
TOTAL OPERATING EXPENSES	<u>3,344,882</u>
OPERATING LOSS	(3,217,469)
NONOPERATING REVENUES	
Earnings on investments	84,356
State sources	458,808
Federal sources	<u>3,423,627</u>
TOTAL NONOPERATING REVENUES	<u>3,966,791</u>
INCOME BEFORE TRANSFERS	749,322
TRANSFERS OUT	<u>(57,497)</u>
CHANGE IN NET POSITION	691,825
NET POSITION - BEGINNING OF YEAR	<u>868,734</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,560,559</u></u>

See accompanying notes.

MUHLENBERG SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2024

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from users	\$ 129,879
Payments to employees for services	(1,671,213)
Payments to suppliers for goods and services	<u>(1,510,289)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(3,051,623)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	458,582
Federal sources	3,261,401
Transfers out	<u>(57,497)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,662,486
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of equipment	(20,159)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>84,356</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	675,060
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,831,754</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,506,814</u></u>

MUHLENBERG SCHOOL DISTRICT

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

For the Year Ended June 30, 2024

	<u>Enterprise Fund Food Service</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating loss	\$ (3,217,469)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	14,229
Donated commodities used	163,567
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Interfund balances	9,788
Other receivables	6,103
Inventories	(19,052)
Prepaid expenses	6,806
Deferred outflows of resources for pension	(273,772)
Deferred outflows of resources for other postemployment benefits	4,972
Accounts payable	(3,166)
Accrued salaries and benefits	789
Unearned revenues	3,522
Compensated absences	1,285
Net pension liability	259,983
Net other postemployment benefit liabilities	3,703
Deferred inflows of resources for pension	(9,709)
Deferred inflows of resources for other postemployment benefits	(3,202)
	<u>165,846</u>
Total adjustments	
	<u>165,846</u>
NET CASH USED FOR OPERATING ACTIVITIES	\$ (3,051,623)

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

During the year, the District used \$163,567 of commodities from the U.S. Department of Agriculture.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

Muhlenberg School District ("School District" or the "District") is located in Berks County, Pennsylvania. The District's tax base consists of the Township of Muhlenberg and the Borough of Laureldale. Muhlenberg School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of 6 and 21 years, who may attend.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

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

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

Joint Venture: The District is a participating member of the Reading Muhlenberg Career and Technology Center. See Note 13 for details of involvement and financial information of the joint venture.

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

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

B. Basis of Presentation - Government-Wide Financial Statements

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component unit from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

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

The District Reports the Following Major Governmental Funds:

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

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

Debt Service Fund: This fund is established to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.

MUHLENBERG SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The District Reports the Following Nonmajor Governmental Funds:

Special Revenue Funds

Student Activity Fund: This fund is established to account for financial resources to be used for various student activity and athletic clubs.

Scholarship Fund: This fund is established to account for financial resources to be used for various scholarship accounts.

The District has the Following Major Enterprise Fund:

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

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

MUHLENBERG SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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

Board Resolution Option

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

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

MUHLENBERG SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

3. Interfund Transactions

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

4. Inventories and Prepaid Items

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

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

Purchased food and supplies	\$ 86,930
Donated commodities	<u>46,062</u>
	<u>\$ 132,992</u>

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

5. Capital Assets, Depreciation, and Amortization

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	15 - 50
Leasehold improvements	30
Site improvements	20
Furniture and equipment	5 - 15
Right-to-use lease assets	3 - 5
Right-to-use subscription assets	2 - 4

6. Valuation of Long-Lived Assets

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

7. Unearned Revenues

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

8. Compensated Absences

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

9. Long-Term Obligations

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

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

10. Leases and Subscription-Based Information Technology Arrangements

Lessor

The District is a lessor for a lease of land for the purpose of an advertising sign. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District uses its estimated incremental borrowing rate as the discount rate for the lease.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Leases and Subscription-Based Information Technology Arrangements - continued

Lessee

The District has agreements for noncancellable leases of equipment, modular classrooms, and subscription-based information technology arrangements (SBITA). The District recognizes a lease or subscription liability and an intangible right-to-use asset (lease or subscription asset) in the government-wide financial statements.

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

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

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

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Pension

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

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

12. Other Postemployment Benefits (OPEB)

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

PSERS OPEB Plan

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

District OPEB Plan

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources

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

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

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources - continued

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

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

Deferred inflows of resources for lease revenue relate to a lessor agreement the District has for use of an advertising sign by a third party. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Net Position and Flow Assumptions

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

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

15. Fund Balance Policies and Flow Assumptions

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

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

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

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

The District's unassigned fund balance of the General Fund at the end of each fiscal year-end shall not be less than 8% of the following year's projected budgeted expenditures. In any fiscal year where the School District is unable to maintain this minimum reservation of fund balance, the School District shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District's policy does not dictate whether restricted or unrestricted is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first, followed by the unrestricted categories. The District's policy is to decide at the time an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balance. The decision will be made through resolution of the board of school directors which fund balances are exhausted first.

G. Use of Estimates

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

B. Deficit Fund Balance or Net Position of Individual Funds

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

C. Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2024, the General Fund has an excess of expenditures over appropriations of \$473,997. The excess expenditures were covered by excess revenues.

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The breakdown of total cash and investments at June 30, 2024, is as follows:

Petty cash	\$	200
Cash		6,284,361
Pooled cash and investments		<u>41,288,250</u>
	\$	<u>47,572,811</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2024, the carrying amount of the District's deposits was \$6,284,361 and the bank balance was \$6,541,490. Of the bank balance, \$369,696 was covered by federal depository insurance, and \$6,171,794 was exposed to custodial credit risk, but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

Pooled Cash and Investments

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

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	\$ 8,797,929	\$ 8,797,929
MAX account balance		1,862,351	1,862,351
PA Local Government Investment Trust (PLGIT):			
Class		2,516,369	2,516,369
PRIME		18,439,763	18,439,763
Term	< 1 year	10,000,000	<u>10,000,000</u>
Total			<u>41,616,412</u>
Less reconciling items			<u>(328,162)</u>
Total pooled cash and investments			<u>\$ 41,288,250</u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$41,616,412 (PSDLAF and PLGIT) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments - continued

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

The PSDLAF Full Flex Pool, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invest in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the Full Flex Pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

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

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

PRIME is a variable rate investment portfolio. There is no minimal balance requirement and redemptions/exchanges are limited to two per calendar month.

Term is a fixed term investment portfolio with maturity of up to one year, depending upon the termination date of any particular series within the PLGIT/TERM portfolio. This option requires a minimum initial investment of \$100,000, a minimum investment period of 60 days, and has a premature withdrawal penalty.

As of June 30, 2024, the entire PLGIT and PSDLAF book balance of \$41,288,250 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2024, the District has no investments subject to interest rate risk.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2024, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA Local Government Investment Trust	AAAm
PA School District Liquid Asset Fund	AAAm

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2024, the District has no investments subject to concentration of credit risk.

Custodial Credit Risk

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

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has two independently elected tax collectors. Property taxes are levied on July 1 at the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$1,299,111,900. In accordance with Act 1 of 2006, the District received \$1,511,083 in property tax reduction funds for the 2023/2024 fiscal year. The District's tax rate for the year ended June 30, 2024, was \$34.099 per \$1,000 of assessed valuation as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

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

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

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate property tax	\$ 668,420	\$ 11,640	\$ 656,780	\$ 86,401	\$ 582,019
Other taxes	234,999	-	234,999	234,999	-
	<u>\$ 903,419</u>	<u>\$ 11,640</u>	<u>\$ 891,779</u>	<u>\$ 321,400</u>	<u>\$ 582,019</u>

NOTE 5 - TAX ABATEMENT

On November 11, 2015, the District approved a resolution providing for tax exemption for certain improvements to deteriorated property in the Township of Muhlenberg pursuant to the Pennsylvania Local Economic Revitalization Tax Assistance Act (LERTA), defining deteriorated property, providing for an exemption period, and establishing a schedule of percentage exemption for that time period. The LERTA was approved in accordance with Pennsylvania Assembly Act No. 76 of 1977, as amended, for the purpose of joining together with the Township of Muhlenberg to revitalize the economic vitality of the Muhlenberg community. The LERTA authorized local taxing authorities to exempt property taxes of improvements and new construction in certain deteriorated areas. Any property owner undertaking improvements within a deteriorated area may apply and receive from the District an exemption from School District real property taxes due to the increased or additional assessed valuation attributable to those improvements. The resolution automatically terminates November 10, 2035; provided, however, that any taxpayer who has received or applied for the exemption granted by this resolution prior to the expiration date shall, if said exemption is granted, be entitled to the full exemption authorized.

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

NOTE 5 - TAX ABATEMENT - CONTINUED

The exemption is limited to a period of ten years using the following schedule:

<u>Year</u>	<u>% of Eligible Assessment Abated</u>
1	100%
2	90%
3	80%
4	70%
5	60%
6	50%
7	40%
8	30%
9	20%
10	10%

The District has four Local Economic Revitalization Tax Assistance Act (LERTA) agreements as of June 30, 2024. The tax abatements were effective January 1, 2020, April 1, 2020, July 1, 2021, and April 1, 2023. For the year ended June 30, 2024, the foregone real estate tax revenue as a result of the LERTA tax abatements was \$792,676. The District has not made any commitments as part of the agreement other than to reduce taxes.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

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

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Fund Food Service</u>
Commonwealth of PA:		
Retirement	\$ 2,718,465	\$ 1,457
Social Security	606,255	317
Ready to Learn Block Grant	500,000	-
Transportation	157,609	-
Federal Subsidies:		
JROTC - Basic, Applied, and Advanced Research in Science and Engineering	7,080	-
Title I Grants to Local Educational Agencies	192,078	-
Supporting Effective Instruction State Grants	21,044	-
English Language Acquisition State Grants	10,622	-
Education Stabilization Fund	83,683	-
ACCESS Medical Assistance Program	212,136	-
Summer Food Service Program For Children	-	40,616
Berks County Intermediate Unit - Special Education - Grants to States	340,553	-
Berks County Intermediate Unit - Special Education - Preschool Grants	18,598	-
	<u>\$ 4,868,123</u>	<u>\$ 42,390</u>

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2024:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 23,058	\$ -
Enterprise Fund - Food Service	-	23,058
	<u>\$ 23,058</u>	<u>\$ 23,058</u>

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS - CONTINUED

Interfund transfers are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 57,497	\$ 7,149,358
Capital Projects Fund	1,106,503	-
Debt Service Fund	6,042,855	-
Enterprise Fund - Food Service	-	57,497
	<u>\$ 7,206,855</u>	<u>\$ 7,206,855</u>

Interfund transfers from the general fund to the debt service fund are made to meet debt service requirements. Interfund transfers from the food service fund to the general fund are to cover indirect costs and for the recovery of bad debts previously funded by the general fund. Interfund transfers from the general fund to the capital projects fund are to fund capital projects at the District.

NOTE 8 - LEASE RECEIVABLE/DEFERRED INFLOWS OF RESOURCES

Lease Receivable and Deferred Inflows of Resources

The District leases land to an entity for the purpose of constructing, maintaining and operating an advertising sign. This lease is for an initial term of five years commencing on December 1, 2023 and a renewal term of five years commencing on December 1, 2028. This lease is payable annually and accrues interest at 6.6%. The outstanding lease matures November 30, 2033. The District has recorded a lease receivable from this agreement as of June 30, 2024 of \$22,156, as well as a related deferred inflow of resources of \$23,971. For the year ended June 30, 2024 the District recognized land lease revenue of \$1,485 and lease interest revenue of \$867.

Future minimum lease payments to be received for the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,793	\$ 1,507	\$ 3,300
2026	1,915	1,385	3,300
2027	2,045	1,255	3,300
2028	2,184	1,116	3,300
2029	2,483	967	3,450
2030 - 2034	11,736	2,064	13,800
	<u>\$ 22,156</u>	<u>\$ 8,294</u>	<u>\$ 30,450</u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 577,416	\$ -	\$ -	\$ 577,416
Construction in progress	107,340	2,982,661	-	3,090,001
Total not being depreciated	684,756	2,982,661	-	3,667,417
Capital assets being depreciated:				
Buildings and building improvements	114,419,223	-	-	114,419,223
Leasehold improvements	10,535,142	-	-	10,535,142
Site improvements	13,859,790	-	-	13,859,790
Furniture and equipment	7,044,877	172,700	(2,919)	7,214,658
Totals being depreciated	145,859,032	172,700	(2,919)	146,028,813
Less accumulated depreciation for:				
Buildings and building improvements	58,391,071	3,344,380	-	61,735,451
Leasehold improvements	6,216,498	357,271	-	6,573,769
Site improvements	9,002,326	613,539	-	9,615,865
Furniture and equipment	5,307,608	231,235	(2,919)	5,535,924
Total accumulated depreciation	78,917,503	4,546,425	(2,919)	83,461,009
Total capital assets being depreciated, net	66,941,529	(4,373,725)	-	62,567,804
Right-to-use assets:				
Leased equipment	20,568	149,193	-	169,761
Leased modular classrooms	90,182	1,291,485	-	1,381,667
Subscriptions	489,276	70,795	-	560,071
Total right-to-use assets	600,026	1,511,473	-	2,111,499
Less accumulated amortization for:				
Leased equipment	2,207	8,509	-	10,716
Leased modular classrooms	-	382,221	-	382,221
Subscriptions	81,782	178,580	-	260,362
Total accumulated amortization	83,989	569,310	-	653,299
Total right-to-use assets, net	516,037	942,163	-	1,458,200
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 68,142,322	\$ (448,901)	\$ -	\$ 67,693,421

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - CHANGES IN CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Business-Type Activities				
Capital assets being depreciated:				
Equipment	\$ 285,753	\$ 20,159	\$ -	\$ 305,912
Less accumulated depreciation for:				
Equipment	125,193	14,229	-	139,422
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 160,560</u>	<u>\$ 5,930</u>	<u>\$ -</u>	<u>\$ 166,490</u>

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

Instruction	\$ 2,925,539
Instructional student support	34,512
Administrative and financial support services	244,087
Operation and maintenance of plant services	1,521,996
Pupil transportation	11,139
Student activities	<u>378,462</u>
TOTAL DEPRECIATION/AMORTIZATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 5,115,735</u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - LONG-TERM LIABILITIES

The District issues general obligation bonds to provide resources for major capital improvements. The bonds are direct obligations issued on a pledge of the full faith and credit of the District as well as their general taxing authority.

General obligation bonds outstanding are as follows at June 30, 2024:

<u>General Obligation Bonds, Series of 2019</u> : The General Obligation Bonds, Series of 2019, aggregate principal of \$11,415,000, were issued on June 13, 2019, for the purpose of currently refunding the outstanding General Obligation Note, Series of 2017 and to pay debt issuance costs. The bonds mature from May 15, 2021 to May 15, 2026. Interest rates range from 2.00% to 4.00%. The refunding resulted in a net cash flow savings of \$733,532 with a present value cash flow savings of \$677,720.	\$ 8,275,000
<u>General Obligation Bonds, Series of 2020</u> : The General Obligation Bonds, Series of 2020, aggregate principal of \$18,460,000, were issued on July 14, 2020, for the purpose of currently refunding the outstanding General Obligation Bonds Series 2012A, 2014, and 2015, and to pay debt issuance costs. The bonds mature from May 15, 2021 to May 15, 2026, at interest rates ranging from 1.0% to 4.0%. The refunding resulted in a net cash flow savings of \$334,501 with a present value cash flow savings of \$458,767.	2,085,000
<u>General Obligation Bonds, Series of 2023</u> : The General Obligation Bonds, Series of 2023, aggregate principal of \$14,800,000, were issued on November 7, 2023, for the purpose of funding various capital improvements and to pay debt issuance costs. The bonds mature from May 15, 2027, to May 15, 2053, at interest rates ranging from 4.75% to 5.25%.	<u>14,795,000</u>
Total bonds payable	<u><u>\$ 25,155,000</u></u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

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

	<u>Principal</u>	<u>Interest</u>
2025	\$ 5,350,000	\$ 1,084,550
2026	5,020,000	907,375
2027	270,000	726,525
2028	285,000	713,025
2029	300,000	698,775
2030-2034	1,730,000	3,253,875
2035-2039	2,205,000	2,776,375
2040-2044	2,835,000	2,146,350
2045-2049	3,605,000	1,374,175
2050-2053	3,555,000	431,775
	<u>\$ 25,155,000</u>	<u>\$ 14,112,800</u>

Events of Default

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Leases

The District has entered into multiple lease agreements for postage equipment, copy machines and modular classrooms. The leases have various termination dates through September 2029. These leases include monthly or quarterly payments of principal and interest at a rate of 6.60%.

Future lease maturities as of June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 185,984	\$ 37,016	\$ 223,000
2026	197,849	25,151	223,000
2027	203,377	8,374	211,751
2028	34,819	3,514	38,333
2029	31,319	1,289	32,608
	<u>\$ 653,348</u>	<u>\$ 75,344</u>	<u>\$ 728,692</u>

Subscriptions

The District has entered into various agreements for subscription-based information technology arrangements. The arrangements have various termination dates through June 2026. These subscriptions include annual payments of principal and interest at a rate of 6.60%.

Future subscription maturities as of June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 132,951	\$ 16,742	\$ 149,693
2026	113,127	7,696	120,823
	<u>\$ 246,078</u>	<u>\$ 24,438</u>	<u>\$ 270,516</u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 15,575,000	\$ 14,800,000	\$ 5,220,000	\$ 25,155,000	\$ 5,350,000
Premiums	1,209,696	196,662	585,349	821,009	-
Total bonds payable	16,784,696	14,996,662	5,805,349	25,976,009	5,350,000
Leases payable	19,317	749,446	115,415	653,348	185,984
Subscription liability	322,120	70,795	146,837	246,078	132,951
Compensated absences	348,462	381,727	346,280	383,909	-
Net pension liability	85,293,565	8,509,427	9,960,410	83,842,582	-
Net other postemployment benefit liabilities	7,774,293	654,457	382,255	8,046,495	-
Total governmental long-term liabilities	<u>\$ 110,542,453</u>	<u>\$ 25,362,514</u>	<u>\$ 16,756,546</u>	<u>\$ 119,148,421</u>	<u>\$ 5,668,935</u>
Business-Type Activities					
Compensated absences	\$ 14,481	\$ 11,227	\$ 9,942	\$ 15,766	\$ -
Net pension liability	2,556,435	594,346	334,363	2,816,418	-
Net other postemployment benefit liabilities	147,186	11,012	7,309	150,889	-
Total business-type long-term liabilities	<u>\$ 2,718,102</u>	<u>\$ 616,585</u>	<u>\$ 351,614</u>	<u>\$ 2,983,073</u>	<u>\$ -</u>

Payments on bonds payable are made by the general fund via transfers to the debt service fund. The lease and subscription liabilities will be liquidated by the general fund. The compensated absences liabilities will be liquidated by the general and food service funds. Total interest expense paid during the year ended June 30, 2024 was \$861,700. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

Subsequent to year end, General Obligation Bonds Series of 2024, aggregate principal of \$46,990,000, were issued on July 18, 2024, for the purpose of funding various capital improvements and to pay debt issuance costs. Principal maturities occur through the year 2054.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

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

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

Contributions

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued:

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.50%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer Contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 33.09% of covered payroll, actuarially determined as an amount that when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$10,890,212 for the year ended June 30, 2024. In addition, the District's contribution to the defined contribution plan was \$88,859 for the year ended June 30, 2024.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and OPEB. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2024, for pension and OPEB benefits was \$7,410,737.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

At June 30, 2024, the District reported a liability of \$86,659,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2024, the District's proportion was 0.1948% which was a decrease of 0.0028% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized a pension expense of \$8,234,600. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,000	\$ 1,187,000
Net difference between projected and actual investment earnings	2,452,000	-
Changes in assumptions	1,293,000	-
Changes in proportion - plan level	1,545,000	1,435,000
Changes in proportion - internal	300,457	300,457
Difference between employer contributions and proportionate share of total contributions	143,819	-
Contributions made subsequent to the measurement date	10,890,212	-
	<u>\$ 16,644,488</u>	<u>\$ 2,922,457</u>

MUHLENBERG SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The \$10,890,212 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2025	\$ 875,782
2026	(1,196,763)
2027	2,316,405
2028	<u>836,395</u>
	<u>\$ 2,831,819</u>

Actuarial Assumptions

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

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

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

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

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023 is:

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Discount Rate

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

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 112,335,000	\$ 86,659,000	\$ 64,997,000

Pension Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2024, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$4,280,031. This amount represents the District's contractually obligated contributions for wages earned in April 2024 through June 2024.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

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

<u>Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSERS OPEB Plan	\$ 3,528,000	\$ 664,629	\$ 796,000
District OPEB Plan	<u>4,669,383</u>	<u>788,635</u>	<u>2,438,866</u>
Total	<u>\$ 8,197,383</u>	<u>\$ 1,453,264</u>	<u>\$ 3,234,866</u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

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

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

Pension Plan Description

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Benefits Provided

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

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2024, was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$210,629 for the year ended June 30, 2024.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2024, for pension and OPEB benefits was \$7,410,737.

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

At June 30, 2024, the District reported a liability of \$3,528,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was 0.1950%, which was a decrease of 0.0025% from its proportion measured as of June 30, 2023.

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$135,038. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,000	\$ 35,000
Changes in assumptions	305,000	668,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportion	118,000	93,000
Contributions made subsequent to the measurement date	210,629	-
	<u>\$ 664,629</u>	<u>\$ 796,000</u>

The \$210,629 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2025	\$ (47,000)
2026	(77,000)
2027	(93,000)
2028	(110,000)
2029	(15,000)
	<u> </u>
Total	<u>\$ (342,000)</u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions

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

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

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

The following assumptions were used to determine the contribution rate:

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023 is:

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

Discount Rate

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

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

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 3,528,000	\$ 3,528,000	\$ 3,528,000

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

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

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

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
	<hr/>	<hr/>	<hr/>
District's proportionate share of the net OPEB liability	\$ 3,989,000	\$ 3,528,000	\$ 3,142,000

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2024, the District had an accrued balance due to PSERS of \$4,280,031, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2024 through June 2024.

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

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

Benefits Provided

The District classifies employees in the following categories: Administrators (not including Coordinators) and All Other Employees. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. Administrators (not including Coordinators)

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
10 years with the District, age 56	<p><u>Coverage</u> Medical, Prescription Drug, Dental and Vision coverage for member and spouse</p> <p><u>Premium Sharing</u> The retiree contributes the same cost share as active Act 93 Administrators. Currently, the cost share is set at 10% of the Medical and Prescription Drug premium cost for school years 2022-23. The District pays the remaining cost. Upon death of retiree, the spouse may continue coverage by paying the full premium.</p>	<p>Member may continue coverage until Medicare age.</p> <p>Spouse may continue coverage until spouse Medicare age.</p>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

II. All Other Employees

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Retirement from the District according to PSERS requirements (including early retirement)	Act 110/43	Same as I

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

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 62 with 5 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 65 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 67 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 67 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Employees Covered by Benefit Terms

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

Active participants	416
Retired participants	<u>21</u>
Total	<u><u>437</u></u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

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

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 4.13% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2023.
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.
- Healthcare cost trend rates - 7.0% in 2023, with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of administrators who qualify for a subsidy and 65% of employees who only qualify for the Act 110/43 benefit are assumed to elect coverage.

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

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2023	\$ 4,285,479
Changes for the year:	
Service cost	297,514
Interest	182,451
Changes of assumptions or other inputs	68,465
Benefit payments	<u>(164,526)</u>
Net changes	<u>383,904</u>
Balance at June 30, 2024	<u><u>\$ 4,669,383</u></u>

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease 3.13%</u>	<u>Current Discount Rate 4.13%</u>	<u>1% Increase 5.13%</u>
OPEB Plan - Total OPEB liability	\$ 5,025,522	\$ 4,669,383	\$ 4,333,729

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB liability	\$ 4,136,483	\$ 4,669,383	\$ 5,296,848

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$315,214. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 575,397	\$ 1,347,272
Differences between expected and actual experience	25,165	1,091,594
Benefit payments made subsequent to the measurement date	188,073	-
	<u>\$ 788,635</u>	<u>\$ 2,438,866</u>

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

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

The \$188,073 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2025	\$ (164,751)
2026	(164,751)
2027	(164,751)
2028	(164,751)
2029	(164,751)
Thereafter	<u>(1,014,549)</u>
Total	<u>\$ (1,838,304)</u>

NOTE 13 - JOINT VENTURE

The District is a participating member of the Reading Muhlenberg Career and Technology Center (the "Center"). The Center is run by a joint board consisting of school directors from each member district. The board of directors of each member district must approve the Center's annual operating budget. Each member pays a private share of the operating costs of the Center based on the number of students from each district. For the fiscal year ended June 30, 2024, Muhlenberg School District's share was \$2,572,418.

Condensed financial information for the general fund activities of the Reading Muhlenberg Career and Technology Center is as follows at June 30, 2023 (most recent available):

Total assets	\$ 3,976,426
Total liabilities	<u>3,626,426</u>
Total fund balance	<u>\$ 350,000</u>

Separate financial statements of the Reading Muhlenberg Career and Technology Center have been prepared and are available.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS

Grant Programs

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

Routine Litigation

The District is involved in routine litigation incidental to the conduct of its business. The results, in the opinion of management, are not likely to affect the District's financial condition, results of operations, or cash flows.

Transportation Agreement

The District has entered into an agreement for the transportation of students. The agreement is for the period of July 1, 2022 through June 30, 2025. The contractor provides all equipment, fuel, and labor necessary. The cost for the transportation services is determined based on a yearly base service cost, which is reconciled prior to June 30th each year.

Capital Projects

At June 30, 2024, the District has entered into a number of contracts related to school expansion and renovation projects. Commitments outstanding are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Commitment Remaining</u>
New elementary school - architect	\$ 3,398,667	\$ 1,444,850
Junior high school renovation - architect	3,600,000	3,276,000
High school renovation project - architect	900,000	832,500
Campus roadway project - architect	150,000	67,500
Stadium turf field - architect	252,000	25,704
High school stadium field - construction	1,221,490	1,003,106
Multi-purpose field complex and stadium lighting	6,409,338	6,409,338
	<u>\$ 15,931,495</u>	<u>\$ 13,058,998</u>

The District plans to use existing resources in the capital project funds as well as bond proceeds from General Obligation Bond Series of 2024 issued subsequent to year end to satisfy the remaining commitments.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages of the 2023/2024 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 - FUND BALANCE

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

General Fund

The general fund has nonspendable funds of \$15,896 related to prepaid expenditures, assigned funds of \$18,051,223 for future building projects and unassigned fund balance of \$6,695,170. The assignments were authorized by resolutions adopted by the board of school directors.

Capital Projects

The capital projects fund has restricted funds of \$14,451,385 comprised of \$12,752,897 of unspent bond funds and \$1,698,488 of surplus of money transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

Nonmajor Funds

The nonmajor funds have restricted funds of \$597,123, consisting of \$183,283 for student activities and \$413,840 for scholarships.

MUHLENBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

MUHLENBERG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2024

	Budget		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources	\$ 49,574,065	\$ 49,574,065	\$ 51,565,709	\$ 1,991,644
State sources	24,659,148	24,659,148	26,169,657	1,510,509
Federal sources	3,358,586	3,358,586	3,616,766	258,180
TOTAL REVENUES	77,591,799	77,591,799	81,352,132	3,760,333
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	28,587,840	28,471,249	28,546,353	(75,104)
Special programs - elementary/secondary	12,228,859	12,228,859	11,633,414	595,445
Vocational education	2,572,637	2,572,637	2,572,418	219
Other instructional programs - elementary/secondary	1,318,062	1,318,062	1,281,715	36,347
Nonpublic school programs	55,500	55,500	30,297	25,203
TOTAL INSTRUCTIONAL SERVICES	44,762,898	44,646,307	44,064,197	582,110
SUPPORT SERVICES:				
Students	4,074,358	4,074,358	4,294,009	(219,651)
Instructional staff	2,313,546	2,313,546	2,425,561	(112,015)
Administration	4,884,842	4,936,087	5,191,057	(254,970)
Pupil health	1,086,430	1,086,430	1,109,077	(22,647)
Business	780,031	780,031	799,352	(19,321)
Operation and maintenance of plant	6,034,100	6,051,845	5,922,526	129,319
Student transportation	2,655,888	2,655,888	2,496,041	159,847
Central	1,561,526	1,578,431	1,532,558	45,873
Other	43,000	43,000	42,056	944
TOTAL SUPPORT SERVICES	23,433,721	23,519,616	23,812,237	(292,621)
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	1,701,211	1,722,952	1,743,938	(20,986)
Community services	205,563	205,563	195,302	10,261
Scholarships and awards	2,000	2,000	2,942	(942)
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,908,774	1,930,515	1,942,182	(11,667)
CAPITAL OUTLAY	476,197	485,152	1,122,314	(637,162)
DEBT SERVICE	183,000	183,000	301,097	(118,097)
REFUND OF PRIOR YEAR REVENUES	5,000	5,000	1,560	3,440
TOTAL EXPENDITURES	70,769,590	70,769,590	71,243,587	(473,997)
EXCESS OF REVENUES OVER EXPENDITURES	6,822,209	6,822,209	10,108,545	3,286,336
OTHER FINANCING SOURCES (USES)				
Proceeds from issuances of leases and other right-to-use assets	-	-	820,241	820,241
Transfers in	50,000	50,000	57,497	7,497
Sale of capital assets	-	-	5,809	5,809
Insurance recoveries	20,000	20,000	188	(19,812)
Transfers out	(6,892,209)	(6,892,209)	(7,149,358)	(257,149)
TOTAL OTHER FINANCING SOURCES (USES)	(6,822,209)	(6,822,209)	(6,265,623)	556,586
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	3,842,922	\$ 3,842,922
FUND BALANCE - BEGINNING OF YEAR			20,919,367	
FUND BALANCE - END OF YEAR			\$ 24,762,289	

See note to required supplementary information.

MUHLENBERG SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

BUDGETARY DATA

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

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

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2024, the General Fund has an excess of expenditures over appropriations of \$473,997. The excess expenditures were covered by excess revenues.

Budgetary Compliance

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

MUHLENBERG SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the collective net pension liability	0.1948%	0.1976%	0.1909%	0.1951%	0.1942%	0.1941%	0.1892%	0.1855%	0.1813%	0.1777%
District's proportionate share of the collective net pension liability	\$ 86,659,000	\$ 87,850,000	\$ 78,377,000	\$ 96,065,000	\$ 90,852,000	\$ 93,178,000	\$ 93,443,000	\$ 91,928,000	\$ 78,530,000	\$ 70,335,000
District's covered payroll	\$ 29,879,272	\$ 29,046,523	\$ 27,051,492	\$ 27,372,866	\$ 26,784,280	\$ 26,138,033	\$ 25,184,945	\$ 24,029,821	\$ 23,332,488	\$ 22,681,252
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.03%	302.45%	289.73%	350.95%	339.20%	356.48%	371.03%	382.56%	336.57%	310.10%
Plan fiduciary net position as a percentage of the total pension liability	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

NOTES TO SCHEDULE

Changes in benefit terms

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

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

- The discount rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

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

- The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

MUHLENBERG SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 10,890,212	\$ 10,294,773	\$ 9,867,500	\$ 9,188,643	\$ 9,176,738	\$ 8,832,087	\$ 8,326,525	\$ 7,420,973	\$ 6,050,012	\$ 4,826,136
Contributions in relation to the contractually required contribution	<u>10,890,212</u>	<u>10,294,773</u>	<u>9,867,500</u>	<u>9,188,643</u>	<u>9,176,738</u>	<u>8,832,087</u>	<u>8,326,525</u>	<u>7,420,973</u>	<u>6,050,012</u>	<u>4,826,136</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,516,962	\$ 29,879,272	\$ 29,046,523	\$ 27,051,492	\$ 27,372,866	\$ 26,784,280	\$ 26,138,033	\$ 25,184,945	\$ 24,029,821	\$ 23,332,488
Contributions as a percentage of covered payroll	34.55%	34.45%	33.97%	33.97%	33.52%	32.97%	31.86%	29.47%	25.18%	20.68%

MUHLENBERG SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.1950%	0.1975%	0.1908%	0.1950%	0.1942%	0.1941%	0.1941%	0.1892%
District's proportionate share of the collective net PSERS OPEB liability	\$ 3,528,000	\$ 3,636,000	\$ 4,523,000	\$ 4,213,000	\$ 4,130,000	\$ 4,047,000	\$ 3,855,000	\$ 3,996,000
District's covered payroll	\$ 29,879,272	\$ 29,046,523	\$ 27,051,492	\$ 27,372,866	\$ 26,784,280	\$ 26,138,033	\$ 25,184,945	\$ 24,029,821
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	15.31%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

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

NOTES TO SCHEDULE

Changes in benefit terms

None.

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

- The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

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

- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

MUHLENBERG SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

	LAST TEN FISCAL YEARS									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 210,629	\$ 225,038	\$ 232,244	\$ 224,850	\$ 231,069	\$ 224,866	\$ 217,738	\$ 210,939	\$ 203,280	\$ 211,879
Contributions in relation to the contractually required contribution	<u>210,629</u>	<u>225,038</u>	<u>232,244</u>	<u>224,850</u>	<u>231,069</u>	<u>224,866</u>	<u>217,738</u>	<u>210,939</u>	<u>203,280</u>	<u>211,879</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,516,962	\$ 29,879,272	\$ 29,046,523	\$ 27,051,492	\$ 27,372,866	\$ 26,784,280	\$ 26,138,033	\$ 25,184,945	\$ 24,029,821	\$ 23,332,488
Contributions as a percentage of covered payroll	0.67%	0.75%	0.80%	0.83%	0.84%	0.84%	0.83%	0.84%	0.85%	0.91%

MUHLENBERG SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:							
Service cost	\$ 297,514	\$ 501,958	\$ 508,826	\$ 409,825	\$ 411,945	\$ 349,796	\$ 340,831
Interest	182,451	144,972	113,400	181,978	155,424	155,894	115,003
Difference between expected and actual experience	-	(838,864)	-	(424,490)	-	(93,477)	-
Changes in assumptions	68,465	(1,311,496)	(180,813)	616,474	(148,516)	4,057	150,681
Benefit payments	(164,526)	(147,405)	(203,042)	(200,864)	(234,429)	(254,231)	(252,572)
Net change in total OPEB liability	383,904	(1,650,835)	238,371	582,923	184,424	162,039	353,943
Total OPEB liability, beginning	4,285,479	5,936,314	5,697,943	5,115,020	4,930,596	4,768,557	4,414,614
Total OPEB liability, ending	<u>\$ 4,669,383</u>	<u>\$ 4,285,479</u>	<u>\$ 5,936,314</u>	<u>\$ 5,697,943</u>	<u>\$ 5,115,020</u>	<u>\$ 4,930,596</u>	<u>\$ 4,768,557</u>
Covered Employee Payroll	<u>\$ 26,156,553</u>	<u>\$ 26,156,553</u>	<u>\$ 26,441,807</u>	<u>\$ 26,441,807</u>	<u>\$ 25,299,183</u>	<u>\$ 25,299,183</u>	<u>\$ 22,722,070</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	17.85%	16.38%	22.45%	21.55%	20.22%	19.49%	20.99%

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

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

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

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

- The discount rate was updated each year based on the S&P Municipal Bond 20-year High Grade Index.
- The healthcare cost trend assumption was updated each year.
- For July 1, 2022 measurement date, the election assumption was decreased from 60% to 50%.
- For July 1, 2022 measurement date, the marriage assumption was decreased from 50% to 45%.
- For July 1, 2022 measurement date, the mortality tables were updated.

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

SUPPLEMENTARY INFORMATION

MUHLENBERG SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2024

	<u>Student Activities</u>	<u>Scholarships</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 189,799	\$ 413,840	\$ 603,639
TOTAL ASSETS	<u>\$ 189,799</u>	<u>\$ 413,840</u>	<u>\$ 603,639</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,516	\$ -	\$ 6,516
FUND BALANCES			
Restricted	<u>183,283</u>	<u>413,840</u>	<u>597,123</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 189,799</u>	<u>\$ 413,840</u>	<u>\$ 603,639</u>

MUHLENBERG SCHOOL DISTRICT

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

For the Year Ended June 30, 2024

	<u>Student Activities</u>	<u>Scholarships</u>	<u>Totals</u>
REVENUE			
Local sources	\$ 288,901	\$ 55,059	\$ 343,960
EXPENDITURES			
Current:			
Operation of noninstructional services	<u>288,493</u>	<u>17,585</u>	<u>306,078</u>
EXCESS OF REVENUES OVER EXPENDITURES	408	37,474	37,882
FUND BALANCES - BEGINNING OF YEAR	<u>182,875</u>	<u>376,366</u>	<u>559,241</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 183,283</u></u>	<u><u>\$ 413,840</u></u>	<u><u>\$ 597,123</u></u>

MUHLENBERG SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Contract/ Grant Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2023	Revenue Recognized/ Expenditures	Accrued/ (Unearned) Revenue at June 30, 2024
<u>U.S. Department of Defense</u>									
Basic, Applied, and Advanced Research in Science and Engineering	D	12.630	N/A	07/01/23 - 06/30/24	N/A	\$ 61,659	\$ -	\$ 68,739	\$ 7,080
Basic, Applied, and Advanced Research in Science and Engineering	D	12.630	N/A	07/01/22 - 06/30/23	N/A	12,886	12,886	-	-
TOTAL U.S. DEPARTMENT OF DEFENSE						74,545	12,886	68,739	7,080
<u>U.S. Department of Education</u>									
Passed through PA Department of Education:									
Title I Grants to Local Educational Agencies	I	84.010	013-240274	07/01/23 - 09/30/24	1,130,419	821,226	-	1,013,304	192,078
Title I Grants to Local Educational Agencies	I	84.010	013-230274	07/01/22 - 09/30/23	769,227	100,509	85,545	14,964	-
Subtotal - ALN 84.010						921,735	85,545	1,028,268	192,078
Supporting Effective Instruction State Grant	I	84.367	020-240274	07/01/23 - 09/30/24	145,423	124,379	-	145,423	21,044
Supporting Effective Instruction State Grant	I	84.367	020-230274	07/01/22 - 09/30/23	104,532	20,458	15,910	4,548	-
Subtotal - ALN 84.367						144,837	15,910	149,971	21,044
English Language Acquisition State Grants	I	84.365	010-240274	07/01/23 - 09/30/24	79,664	69,042	-	79,664	10,622
English Language Acquisition State Grants	I	84.365	010-230274	07/01/22 - 09/30/23	69,845	11,433	11,433	-	-
Subtotal - ALN 84.365						80,475	11,433	79,664	10,622
Student Support and Academic Enrichment	I	84.424	144-240274	07/01/23 - 09/30/24	60,220	60,220	-	60,220	-
Student Support and Academic Enrichment	I	84.424	144-230274	07/01/22 - 09/30/23	61,493	13,902	13,902	-	-
Subtotal - ALN 84.424						74,122	13,902	60,220	-
<u>Education Stabilization Fund</u>									
COVID-19 - Governor's Emergency Education Relief Fund (GEER CEEG)	I	84.425C	253-20-0274	03/13/20 - 09/30/22	79,400	(218)	(218)	-	-
COVID-19 - Elementary Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-21-0274	03/13/20 - 09/30/23	2,798,184	65,074	(146,240)	211,314	-
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ESSER III)	I	84.425U	223-21-0274	03/13/20 - 09/30/24	5,659,916	2,058,151	419,972	1,712,346	74,167
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ESSER 2.5%)	I	84.425U	224-21-0274	03/13/20 - 09/30/24	92,277	25,167	25,167	-	-
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (Learning Loss)	I	84.425U	225-21-0274	03/13/20 - 09/30/24	314,216	68,556	(12,905)	72,538	(8,923)
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (Summer Programs)	I	84.425U	225-21-0274	03/13/20 - 09/30/24	62,843	13,711	17,139	-	3,428
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (Afterschool Programs)	I	84.425U	225-21-0274	03/13/20 - 09/30/24	62,843	13,711	17,139	-	3,428
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	I	84.425W	181-21-2275	07/01/21 - 09/30/24	34,589	18,625	7,598	13,687	2,660
Subtotal - ALN 84.425/Total Education Stabilization Fund						2,262,777	327,652	2,009,885	74,760

See notes to schedule of expenditures of federal awards.

MUHLENBERG SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Contract/ Grant Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2023	Revenue Recognized/ Expenditures	Accrued/ (Unearned) Revenue at June 30, 2024
<u>U.S. Department of Education - continued</u>									
Special Education Cluster (IDEA)									
Passed through Berks County Intermediate Unit:									
Special Education - Grants to States	I	84.027	N/A	07/01/23 - 09/30/24	835,577	495,024	-	835,577	340,553
Special Education - Grants to States	I	84.027	N/A	07/01/22 - 09/30/23	735,431	270,094	270,094	-	-
Subtotal - ALN 84.027						765,118	270,094	835,577	340,553
Special Education - Preschool Grants	I	84.173	N/A	07/01/23 - 06/30/24	18,598	-	-	18,598	18,598
Special Education - Preschool Grants	I	84.173	N/A	07/01/22 - 06/30/23	15,120	15,120	15,120	-	-
Subtotal - ALN 84.173						15,120	15,120	18,598	18,598
Total Special Education Cluster (IDEA)						780,238	285,214	854,175	359,151
TOTAL U.S. DEPARTMENT OF EDUCATION						4,264,184	739,656	4,182,183	657,655
<u>U.S. Department of Health and Human Services</u>									
Medicaid Cluster									
Passed through Pennsylvania Department of Human Services:									
Medical Assistance Program	I	93.778	N/A	07/01/23- 06/30/24	N/A	7,882	-	7,882	-
TOTAL MEDICAID CLUSTER AND U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						7,882	-	7,882	-
<u>U.S. Department of Agriculture</u>									
Child Nutrition Cluster									
Passed through PA Department of Agriculture:									
National School Lunch Program (Donated Commodities)	I	10.555	N/A	07/01/23 - 06/30/24	N/A	170,726	(38,903)	163,567	(46,062)
Passed through PA Department of Education:									
National School Lunch Program	I	10.555	N/A	07/01/23 - 06/30/24	N/A	2,171,416	-	2,171,416	-
National School Lunch Program (Supply Chain Assistance)	I	10.555	N/A	07/01/23 - 06/30/24	N/A	101,653	-	101,653	-
Subtotal - ALN 10.555						2,443,795	(38,903)	2,436,636	(46,062)
School Breakfast Program	I	10.553	N/A	07/01/23 - 06/30/24	N/A	856,440	-	856,440	-
Summer Food Service Program for Children	I	10.559	N/A	07/01/23 - 06/30/24	N/A	86,679	-	127,295	40,616
Summer Food Service Program for Children	I	10.559	N/A	07/01/22 - 06/30/23	N/A	41,957	41,957	-	-
Subtotal - ALN 10.559						128,636	41,957	127,295	40,616
TOTAL CHILD NUTRITION CLUSTER						3,428,871	3,054	3,420,371	(5,446)
Passed through PA Department of Education:									
COVID-19 - State Pandemic Electronic Benefit Transfer Administrative Costs Grant	I	10.649	N/A	07/01/23 - 06/30/24	N/A	3,256	-	3,256	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						3,432,127	3,054	3,423,627	(5,446)
TOTAL FEDERAL AWARDS						<u>\$ 7,778,738</u>	<u>\$ 755,596</u>	<u>\$ 7,682,431</u>	<u>\$ 659,289</u>

D = Direct Source of Funding
I = Indirect Source of Funding

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

See notes to schedule of expenditures of federal awards.

MUHLENBERG SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2024

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

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

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2024, was \$212,136.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District has \$46,062 of food commodity inventory.

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

**To the Board of School Directors
Muhlenberg School District
Laureldale, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muhlenberg School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Muhlenberg School District's basic financial statements, and have issued our report thereon dated December 4, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Herbein + Company, Inc.

Reading, Pennsylvania
December 4, 2024

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

**To the Board of School Directors
Muhlenberg School District
Laureldale, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Herbein + Company, Inc.

Reading, Pennsylvania
December 4, 2024

MUHLENBERG SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

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

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

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

Identification of major program(s):

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

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

Auditee qualified as low-risk auditee? X yes no

MUHLENBERG SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.



MUHLENBERG SCHOOL DISTRICT

Joseph E. Macharola, Ed.D.
Superintendent

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Assistant Superintendent

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Shane M. Mathias, CPA
Business Manager

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

Section II - Financial Statement Findings

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

Section III - Federal Awards Findings and Questioned Costs

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