

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 25, 2025

NEW ISSUE—BOOK-ENTRY ONLY

RATING: Moody's: "Aa2" (Underlying)
(See "RATING" herein)

In the opinion of Bond Counsel, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and all regulations applicable thereunder, and subject to the conditions described in "TAX MATTERS" herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.

\$35,825,000*

Kennett Consolidated School District Chester County, Pennsylvania General Obligation Bonds, Series of 2025

Dated: Date of Delivery

First Interest Payment: February 15, 2026

Interest Due: February 15 and August 15

Principal Due: February 15, as shown on inside cover

The General Obligation Bonds, Series of 2025 (the "Bonds") in the aggregate principal amount of \$35,825,000* will be registered in the name of Cede & Co., which is the partnership owner and nominee of The Depository Trust Company ("DTC"), in New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Kennett Consolidated School District, Chester County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District (But see "Security" and "The Taxpayer Relief Act" herein).

Interest on each of the Bonds is payable initially on February 15, 2026, and thereafter semiannually on February 15 and August 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its specified corporate trust office in Philadelphia, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS" *infra*). **The Bonds are subject to optional redemption prior to maturity as described herein.**

Proceeds of the Bonds will be used to provide funds for and towards: (i) the design, acquisition, and construction of improvements and renovations to two elementary schools and other school facilities; and (ii) paying the costs of issuance of the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES

See Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saxton & Stump, LLC, Lancaster, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Fox Rothschild LLP, Blue Bell, Pennsylvania, School District Solicitor and by Eckert Seamans Cherin & Mellott, LLC, of Harrisburg, Pennsylvania, Limited-Scope Underwriter's Counsel. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will serve as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about April __, 2025.

RAYMOND JAMES®

Dated:

*Estimated, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

Kennett Consolidated School District
Chester County, Pennsylvania
\$35,825,000*
General Obligation Bonds, Series of 2025

Dated: Date of Delivery
Interest Due: February 15 and August 15

Principal Due: February 15, as shown below
First Interest Payment: February 15, 2026

Maturity Date (February 15) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP Numbers⁽¹⁾
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriters have agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Estimated, subject to change.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Chester County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

David Kronenberg	President
Dr. Victoria Gehrt.....	Vice-President
Michael H. Finnegan	Treasurer
Lenda Carrillo.....	Member
Ethan Cramer.....	Member
LaToya Myers	Member
Lynn Golden-Mirarchi.....	Member
Jeffrey McVey	Member
Mark Bowden	Member

SUPERINTENDENT

DR. KIMBERLY RIZZO SAUNDERS

ASSISTANT SUPERINTENDENT

DR. MICHAEL BARBER

CHIEF FINANCIAL OFFICER

MR. MARK T. TRACY

SCHOOL DISTRICT SOLICITOR

FOX ROTHSCHILD LLP
Blue Bell, Pennsylvania

BOND COUNSEL

SAXTON & STUMP, LLC
Lancaster, Pennsylvania

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

UNDERWRITER

RAYMOND JAMES & ASSOCIATES, INC.
Lancaster, Pennsylvania

LIMITED-SCOPE UNDERWRITER'S COUNSEL

ECKERT SEAMANS CHERIN & MELLOTT, LLC
Harrisburg, Pennsylvania

PAYING AGENT

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Philadelphia, Pennsylvania

SCHOOL DISTRICT ADDRESS

300 East South Street
Kennett Square, Pennsylvania 19348

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

IN CONNECTION WITH THIS OFFERING OF BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PUBLIC OFFERING PRICES STATED ON THE COVER HEREOF MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER WITHOUT PRIOR NOTICE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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PRELIMINARY OFFICIAL STATEMENT

\$35,825,000*

Kennett Consolidated School District

**Chester County, Pennsylvania
General Obligation Bonds, Series of 2025**

INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover page hereof, is furnished by Kennett Consolidated School District, Chester County, Pennsylvania (the "School District") in connection with the offering of \$35,825,000* General Obligation Bonds, Series of 2025 (the "Bonds") dated the delivery date of the Bonds (the "Delivery Date"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on October 10, 2022, (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to provide funds for and towards: (i) the design, acquisition, and construction of improvements and renovations to two elementary schools and other school facilities; and (ii) paying the costs of issuance of the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

	<u>Totals</u>
<u>Source of Funds</u>	
Bond Proceeds	
Net Original Issue Premium/(Discount).....	
<i>Total Source of Funds</i>	
<u>Use of Funds</u>	
Construction Fund Deposit	
Costs of Issuance ⁽¹⁾	
<i>Total Use of Funds</i>	

⁽¹⁾Includes underwriter's discount, legal, financial advisor, printing, credit rating, paying agent and miscellaneous fees/rounding.

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$35,825,000*, will be dated as of the date of delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on February 15, 2026, and thereafter, semiannually on February 15 and August 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK – ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent”), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office in Philadelphia, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding February 15, 2026, in which event such Bond shall bear interest from the date of delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) calendar day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

*Estimated, subject to change.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under “Book-Entry Only System,” Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. But see “**Pennsylvania Budget Adoption**”.

Pennsylvania Budget Adoption

The budgets for the 2018-19 and the 2019-20 fiscal years were adopted timely.

Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the Commonwealth passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. On November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget included mostly flat funding for public education similar to the stopgap budget adopted for the first five months of the 2020-21 fiscal year.

Then Governor Tom Wolf timely signed the state’s 2021-2022 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the state. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a record high of \$13.55 billion in the 2021-2022 budget.

After a week’s delay, a \$45.2 billion budget for the state’s 2022-2023 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at risk student population. The total amount was a \$767.8 million (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required

companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023, multiple code bills were passed finalizing the 2023-24 Budget for education.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. See “Act 85 of 2016” hereinafter.

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Pennsylvania Department of Education (“PDE”) to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has, subject to statutory restrictions and limitations, covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power. (See “**The Taxpayer Relief Act**” herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see “Defaults and Remedies” herein), and the Public School Code presently provides for the withholding and

application of subsidies in the event of failure to pay debt service (see “Commonwealth Enforcement of Debt Service Payments” herein).

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated “Sinking Fund, General Obligation Bonds, Series of 2025” (the “Sinking Fund”), has been created in accordance with the Resolution and will be maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent as authorized by the Debt Act and upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

BONDHOLDER CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Preliminary Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Preliminary Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds, and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Preliminary Official Statement inclusive of its Appendices.

Cybersecurity

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District’s current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

Coronavirus Pandemic

The 2019 Novel Coronavirus (COVID-19) global pandemic (the Pandemic) was a lifetime event that had impacted every state of the United States including the Commonwealth of Pennsylvania. The Commonwealth had responded aggressively to slow and impede the spread of COVID-19, with the cooperation of all levels of government including all school districts. The Commonwealth’s and local governments’ actions had proven to be an essential and effective measure to reduce the spread of COVID-19.

In accordance with Orders, guidance or recommendations issued by the Centers for Disease Control and Prevention (CDC), the Pennsylvania Governor, the Pennsylvania Department of Health, the Pennsylvania Department of Education, and local health professionals the School District adopted a Health & Safety Plan for school year 2020-2021, 2021-22, 2022-23 and 2023-24 (the Plan

and collectively the Plans). The Plans were designed to take into account the health and safety of students, staff and others and aims to balance the educational imperative to open schools for in-person instruction with the public imperative to mitigate COVID-19 infection and transmission rates.

As a result of COVID-19, the School District had needed to include in its budget for fiscal years 2020-2021, 2021-2022, 2022-23 and 2023-24, expenditures to implement mitigation measures to minimize the risks of COVID-19. The categories of additional expenditures were described in the budgets and in part in the School District's Health and Safety Plans. Also the budgets had taken into account that the School District had received significant financial assistance from the federal government through multiple COVID-19 related relief bills passed by Congress, totaling approximately \$6,219,480 million. As of the date of this Official Statement, the School District's revenue sources have been adequate to support the School District's added expenditures for COVID-19. The future severity of the economic challenges and duration of this and other public health crisis cannot be fully known at this time.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriter or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See "TAX EXEMPTION" herein.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds are subject to redemption prior to maturity as required by the Resolution, in the amounts and on February 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

Bonds stated to mature February 15, _____:

*Final Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

In the case of any prior, optional redemption in part of a Bond that is subject to future mandatory redemption pursuant to the operation of the Mandatory Sinking Fund, the School District shall be entitled to designate whether the principal amount of such Bond redeemed upon optional redemption shall be credited against the principal amount of such Bond to be paid by the School District at the stated maturity of such Bonds or credited against the principal amount of such Bonds scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

Optional Redemption

The Bonds stated to mature on or after _____, _____ shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on _____, _____ or on any date thereafter, or from time to time, in part on _____, _____ (and if in part, if any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days but no more than forty-five (45) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

The notice of redemption may state that it is conditional, that it is subject to the deposit of sufficient redemption money with the Paying Agent no later than a time satisfactory to the Paying Agent on the redemption date and the School District has timely deposited with the Paying Agent money sufficient to redeem all the Bonds called for redemption. Such notice shall be of no effect unless and until such money is so deposited.

Manner of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of a certificated Bond in exchange for a Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

THE SCHOOL DISTRICT

Introduction

Kennett Consolidated School District is comprised of the Townships of Kennett, a portion of East Marlborough, New Garden, and the Borough of Kennett Square, all in Chester County. The School District covers an area of approximately 35 square miles. The area is located just north of New Castle County, Delaware, in southern Chester County. The School District lies 10 miles north of Wilmington, Delaware, 24 miles west of Philadelphia, Pennsylvania, 10 miles southwest of West Chester, Pennsylvania, and 35 miles east of Lancaster, Pennsylvania. Many well-known unincorporated communities are located within the School District and these include: Mendenhall and Hamorton in Kennett Township, and Landenberg in New Garden Township.

The School District is a school district of the third class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth").

Administration

The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

School Facilities

The schools presently operated by the School District consists of four elementary schools, one middle school and one high school all as described on the following table.

**TABLE 1
KENNETT CONSOLIDATED SCHOOL DISTRICT FACILITIES**

Building	Grades	2024-25 Enrollment
<i>Elementary:</i>		
Mary D. Lang Kindergarten Center.....	K	305
Bancroft Elementary.....	1-5	404
Greenwood Elementary.....	1-5	557
New Garden Elementary.....	1-5	475
<i>Secondary:</i>		
Kennett Middle School.....	6-8	905
Kennett Senior High School.....	9-12	1,198
<i>Other:</i>		
Special Education.....		613
Charter Schools.....		138

Source: School District Officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the Pennsylvania Department of Education.

**TABLE 2
KENNETT CONSOLIDATED SCHOOL DISTRICT ENROLLMENT TRENDS**

School Year	Actual Enrollments			School Year	Projected Enrollments		
	Elementary	Secondary	Total		Elementary	Secondary	Total
2020-21	1,714	2,298	4,012	2025-26	1,966	1,830	3,796
2021-22	1,712	2,257	3,969	2026-27	1,966	1,769	3,765
2022-23	1,712	2,209	3,921	2027-28	1,958	1,777	3,735
2023-24	1,701	2,163	3,889	2028-29	1,965	1,756	3,721
2024-25	2,026	1,818	3,844	2029-30	1,938	1,765	3,703

Source: School District Officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. The School District’s financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Barbacane, Thornton & Company LLP, Certified Public Accountants, Wilmington, Delaware serve as School District’s auditor.

The School District’s auditor has not been engaged to perform, and has not performed, since the date of its report included at Appendix D to this Preliminary Official Statement, any procedure on the financial statement addressed in that report. Nor has the School District’s auditor performed any procedures relating to this Preliminary Official Statement.

Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of each fiscal year which commences on July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together “The Taxpayer Relief Act” or “Act 1”) all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from the PA Department of Education (PDE) suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, or seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE. If PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing must be published by the school district immediately upon receipt of the notification from PDE that a hearing is required. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared and approved at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

A summary of the General Fund Balance Sheet is presented in Tables 3. Table 4, shows revenue and expenditures and changes in fund balances for the past five years and the 2024-25 budget. The millage rate for 2024-25 is 32.7275 mills.

The budget for 2024-25 was adopted on June 10, 2024, and projects revenues of \$104,187,402 and expenditures of \$104,187,402.

TABLE 3

**KENNETT CONSOLIDATED SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**

ASSETS	2020	2021	2022	2023	2024
Cash and Cash Equivalents.....	\$469,279	\$95,757	\$3,392,759	\$5,324,236	\$4,281,776
Investments	17,582,437	23,465,310	18,330,619	17,914,157	18,946,494
Taxes Receivable	1,366,255	1,638,893	1,352,721	1,326,040	1,489,795
Interfund Receivables	0	0	0	2,246	0
Intergovernmental Receivables	2,109,397	2,274,269	2,695,777	3,115,616	2,523,587
Other Receivables	10,565	24,862	22,341	55,827	94,705
Prepaid Expenses	22,792	11,323	0	2,433	10,105
Other	0	351	0	0	0
TOTAL ASSETS	\$21,560,725	\$27,510,765	\$25,794,217	\$27,740,555	\$27,346,462
LIABILITIES					
Accounts Payable.....	\$835,869	\$2,131,080	\$1,876,422	\$2,073,778	\$2,345,796
Due to Other Funds.....	4,769,816	9,302,732	7,637,841	7,312,673	6,220,416
Accrued Salaries and Benefits.....	7,628,502	7,460,697	7,821,041	7,442,379	7,758,552
Accumulated Compensated Absences.....	133,624	168,155	0	0	0
Unearned Revenue.....	0	0	0	0	4,899
Other	0	0	0	0	0
TOTAL LIABILITIES	\$13,367,811	\$19,062,664	\$17,335,304	\$16,828,830	\$16,329,663
DEFERRED INFLOWS OF RESOURCES	\$1,136,912	\$1,229,193	\$1,008,846	\$1,068,263	\$1,176,096
FUND EQUITIES					
Nonspendable Fund Balance	\$22,792	\$11,323	\$0	\$2,433	\$10,105
Restricted Fund Balance	0	0	0	0	0
Committed Fund Balance	0	0	0	2,050,000	2,050,000
Unassigned Fund Balance.....	7,033,210	7,207,585	7,450,067	7,791,029	7,780,598
TOTAL FUND EQUITIES	\$7,056,002	\$7,218,908	\$7,450,067	\$9,843,462	\$9,840,703
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES	\$21,560,725	\$27,510,765	\$25,794,217	\$27,740,555	\$27,346,462

Source: School District Audited Financial Statements.

Revenue

The School District received \$98,476,200 of revenue in 2023-24 and has budgeted for \$104,187,402 in 2024-25. Local sources decreased as a share of total revenue in the past five years, from 83.3 percent in 2019-20 to 79.39 percent in 2023-24. Revenue from State sources stayed level as a share of the total revenue from 2020 at 22.43 percent to 2024 at the same percent over this period. Federal revenue sources increased as a share of the total revenue from 2.4 percent to 4.2 percent during this period.

**TABLE 4
KENNETT CONSOLIDATED SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE*
(Years Ending June 30)**

REVENUE:	2020	2021	2022	2023	2024	Budget 2025⁽¹⁾
Total Local Sources	\$67,959,649	\$72,284,103	\$74,009,442	\$76,552,953	\$78,182,009	\$79,211,200
Total State Sources	18,292,080	18,246,339	18,511,530	21,653,784	22,084,471	23,417,535
Total Federal Sources	1,929,393	2,106,822	3,968,882	3,781,450	4,167,887	1,168,667
Total Other Sources	(6,618,583)	(9,258,506)	(7,707,841)	(7,295,898)	(5,958,167)	0
Fund Balance Appropriation	0	0	0	0	0	390,000
TOTAL REVENUE	0	\$83,378,758	\$88,782,013	\$94,692,289	\$98,476,200	\$104,187,402
EXPENDITURES:						
Total Instruction	\$47,470,067	\$47,409,087	\$50,023,454	\$52,667,153	\$56,242,970	\$57,325,771
Support Service	24,819,143	27,107,618	29,210,085	29,914,494	32,086,121	35,497,316
Noninstructional Services	1,525,931	1,285,333	1,596,541	2,045,281	2,150,293	2,160,598
Facilities/Acquisition/Constr.&Impr.	226,027	133,985	214,947	159,580	28,258	225,000
Debt Service	7,521,737	7,277,687	7,505,827	7,507,551	7,971,317	8,888,717
Refund of Prior Year	0	2,142	0	4,835	0	0
Budgetary Reserve	0	0	0	0	0	90,000
TOTAL EXPENDITURES	\$81,562,905	\$83,215,852	\$88,550,854	\$92,298,894	\$98,478,959	\$104,187,402
SURPLUS (DEFICIT) OF						
REVENUES OVER EXPENDITURES	(\$366)	\$162,906	\$231,159	\$2,393,395	(\$2,759)	\$0
BEGINNING FUND BALANCE, JULY 1	\$7,056,368	\$7,056,002	\$7,218,908	\$7,450,067	\$9,843,462	\$9,840,703
ENDING FUND BALANCE, JUNE 30	\$7,056,002	\$7,218,908	\$7,450,067	\$9,843,462	\$9,840,703	\$9,840,703

*Totals may not add due to rounding.

⁽¹⁾ Budget, as adopted June 10, 2024.

Source: School District Financial Reports, School District Officials and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act (more specifically described below), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101) the (“Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the Federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the next, current, and prior fiscal years are as follows:

Fiscal Year	Index %
2021-22	3.0
2022-23	3.4
2023-24	4.1
2024-25	5.3
2025-26	4.0

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The information set forth above is a summary of Act 1. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1 and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

Status of the Bonds Under Act 1

The Bonds do not qualify for an exception to the Index and referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72).

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District presently does not levy an occupation tax.

Act 48 of 2003 – Limitation on School District Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved and undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures*</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 48. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 48 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

*GASB 54 requires that effective with the June 30, 2011 financial statements, fund balances are designated as assigned or unassigned, not reserved and unreserved.

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Tax Levy Trends

Table 5 which follows shows the 2024 realty and non-realty tax rates levied by the School District, the townships, the borough and Chester County.

**TABLE 5
KENNETT CONSOLIDATED SCHOOL DISTRICT
2025 REALTY AND NON-REALTY TAX RATES**

Municipalities	Realty Tax (Mills)			Local Services		Earned Income		Real Estate Transfer	
	School	Municipal	County	School	Municipal	School	Municipal	School	Municipal
East Marlborough Township	32.7275	4.8830	5.1640	0.00	52.00	1.000	0.000	0.5	0.5
Kennett Square Borough	32.7275	11.4500	5.1640	0.00	52.00	0.500	0.500	0.5	0.5
Kennett Township	32.7275	3.6000	5.1640	0.00	52.00	0.500	0.750	0.5	0.5
New Garden Township	32.7275	3.2700	5.1640	0.00	52.00	0.500	0.625	0.5	0.5

Source: Local Government Officials and Chester County website.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$66,948,157 in 2023-24, approximately 68.0 percent of total revenue. The bills are dated July 1 and taxpayers who remit within 60 days receive a 2 percent discount and those who remit subsequent to October 30 are assessed a 10 percent penalty.

Also, qualified homeowners have the option of paying in three (3) installments; however, the taxpayers opting to pay via installments are not eligible for the discount. The installment program has the taxpayer pay 50% of the base by August 31st, 25% of the base by October 31st, and 25% of the base & penalty by December 31st.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide assessment in Chester County was in 2005.

**TABLE 6
KENNETT CONSOLIDATED SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value	Assessed Value	Common Level Ratio
2019-20.....	3,138,030,452	2,036,216,608	64.89%
2020-21.....	3,270,577,207	2,052,609,168	62.76%
2021-22.....	3,288,525,492	2,063,744,448	62.76%
2022-23.....	3,573,848,295	2,113,500,400	59.14%
2023-24.....	3,627,620,716	2,139,154,570	58.97%

Source: PA State Tax Equalization Board (STEB)/Tax Equalization Division (TED)

**TABLE 7
KENNETT CONSOLIDATED SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2022	2022	2023	2023
	Market Value	Assessed Value	Market Value	Assessed Value
School District	\$3,573,848,295	\$2,113,500,400	\$3,627,620,716	\$2,139,154,570
East Marlborough Township	368,925,493	205,965,400	405,328,636	224,325,770
Kennett Square Borough	509,000,345	252,485,999	519,725,016	256,778,129
Kennett Township	1,322,867,508	831,691,975	1,321,347,425	831,538,735
New Garden Township	1,373,054,949	823,357,026	1,381,219,640	826,511,936
Chester County	72,419,223,699	41,354,185,447	73,708,835,172	41,970,702,573

Source: PA State Tax Equalization Board (STEB)/Tax Equalization Division (TED)

**TABLE 8
KENNETT CONSOLIDATED SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2019	2020	2021	2022	2023
Residential	\$1,552,021,970	\$1,560,453,380	\$1,550,657,880	\$1,596,418,070	\$1,611,058,400
Lots	17,880,586	17,971,846	16,538,436	15,824,726	14,828,746
Industrial	33,162,050	33,518,000	34,009,220	32,726,640	32,726,640
Commercial	338,118,532	346,218,072	367,989,682	374,644,724	385,305,844
Agriculture	86,332,640	85,885,680	86,042,920	85,784,000	87,359,970
Land	2,549,360	2,483,570	2,473,970	1,988,730	1,823,090
Trailers	6,151,470	6,078,620	6,032,340	6,113,510	6,051,880
Total	\$2,036,216,608	\$2,052,609,168	\$2,063,744,448	\$2,113,500,400	\$2,139,154,570

Source: PA State Tax Equalization Board (STEB)/Tax Equalization Division (TED)

**TABLE 9
KENNETT CONSOLIDATED SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Year	Assessed Valuation	Millage Rate	Adjusted Levy	Current Year Collections (July-June)	Current Year Collections as Percent of Total Adjusted Levy	Total Current Plus Delinquent Collections⁽¹⁾	Total Collections as Percent of Total Adjusted Levy
2019-20.....	2,036,216,608	30.9497	61,563,803	59,419,762	97.08%	61,338,945	99.63%
2020-21.....	2,052,609,168	31.4852	63,168,791	60,622,360	95.97%	62,480,840	98.91%
2021-22.....	2,063,744,398	31.8707	64,295,928	62,325,367	96.94%	64,129,326	99.74%
2022-23.....	2,113,500,400	32.4358	67,299,550	64,583,038	95.96%	66,367,005	98.61%
2023-24.....	2,139,154,570	32.7275	68,678,485	66,948,157	97.48%	68,044,017	99.08%

⁽¹⁾Delinquent real property tax collection.

Source: School District officials.

The ten largest real property taxpayers, together with their assessed values are shown on Table 10 which follows. The aggregate assessed value of these ten taxpayers totals approximately 5.6 percent of total assessed value.

**TABLE 10
KENNETT CONSOLIDATED SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

Owner	Property	2024-25 Assessed Value
Kendal Crosslands Communities	Retirement Community	\$27,910,400
Hreg Kennett Square LLC	Luxury Apartments	15,902,350
East Marlboro Associates	Retail Shopping Center	13,725,000
Marlborough Associates LP	Retail Shopping Center	10,155,200
Peco Energy	Commercial Offices	9,953,930
Exelon Generation Co LLC	Commercial Offices	9,529,740
Oppy Property LP	Commercial Offices	8,420,470
Modern Mushroom Farms	Agriculture	8,246,170
State Street Associates ⁽¹⁾	Professional Offices	7,773,330
350 Scarlett Group	Retail Shopping Center	7,695,000
Totals		\$119,311,590

Source: School District officials.

⁽¹⁾ Taxpayer initiated an appeal.

Other Taxes

Under Act 511, the School District collected \$7,436,850 in other taxes in 2023-24. Among the taxes authorized by Act 511, the School District currently levies the Real Estate Transfer Tax and the Wage and Income Tax.

Wage & Income Tax. In 2023-24 the collected portion of this tax yielded \$6,155,388 or 5.9 percent of the School District's total revenue.

Real Estate Transfer. In 2023-24 the real estate transfers tax yielded \$1,281,462 or 1.2 percent of School District's total revenue.

COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, the basic instructional subsidy, is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. School districts also receive subsidies for special education, pupil transportation; vocational education, health service and debt service are also received by the school district.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (27.62%) or the wealth based Market Value Aid Ratio ("MVAR") currently (29.31%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

Due to the nature of the projects being financed, the School District expects the Bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Act 70 of 2019 was adopted by the State legislature that has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the State would start to allow applicants to enter into the new program.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

DEBT AND DEBT LIMITS

Debt Statement

Table 11 which follows shows the debt of the Kennett Consolidated School District as of January 29, 2025, including the issuance of the Bonds.

TABLE 11

**KENNETT CONSOLIDATED SCHOOL DISTRICT
DEBT STATEMENT
(As of January 29, 2025) ***

NONELECTORAL DEBT	Gross Outstanding
General Obligation Bonds, Series of 2025 (last maturity 2045)	\$35,825,000
General Obligation Bonds, Series of 2024 (last maturity 2051)	46,625,000
General Obligation Bonds, Series of 2023 (last maturity 2045)	9,995,000
General Obligation Bonds, Series of 2022 (last maturity 2053)	9,990,000
General Obligation Bonds, Series of 2020 (last maturity 2025)	3,646,000
General Obligation Bonds, Series of 2018 (last maturity 2026)	1,185,000
TOTAL NONELECTORAL DEBT	<u>\$107,266,000</u>
TOTAL LEASE RENTAL DEBT	<u>0</u>
TOTAL PRINCIPAL OF DIRECT DEBT	<u><u>\$107,266,000</u></u>

*Includes the estimated Bonds offered through this Preliminary Official Statement.

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Table 12 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$107,266,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$107,021,561.

TABLE 12
KENNETT CONSOLIDATED SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of January 29, 2025) *

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$107,266,000	\$107,021,561
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT.....	\$107,266,000	\$107,021,561
OVERLAPPING DEBT		
Chester County, General Obligation ⁽²⁾	\$20,422,742	\$20,422,742
Municipal Debt.....	31,906,595	31,906,595
TOTAL OVERLAPPING DEBT.....	\$52,329,337	\$52,329,337
TOTAL DIRECT AND OVERLAPPING DEBT.....	\$159,595,337	\$159,350,898
DEBT RATIOS		
Per Capita	\$5,765.94	\$5,757.10
Percent 2023 Assessed Value	7.46%	7.45%
Percent 2023 Market Value	4.40%	4.39%

*Includes the estimated Bonds offered through this Preliminary Official Statement.

⁽¹⁾The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by Commonwealth sources.

⁽²⁾Pro rata 5.01 percent share of \$407,705,000 principal amount outstanding.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2021-22.....	\$93,732,914
Total Revenues for 2022-23.....	98,691,790
Total Revenues for 2023-24.....	<u>101,664,193</u>
 Total.....	 <u>\$283,534,131</u>
 Annual Arithmetic Average (Borrowing Base)	 \$98,029,632

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit:			
225% of Borrowing Base.....	\$220,566,672	\$107,266,000	\$113,300,672

*Includes the estimated Bonds described herein; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

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Debt Service Requirements

Table 13 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 14 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 13
KENNETT CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS⁽¹⁾**

Year	Other	Series			Total
	General	of 2025			
	Obligation	Principal	Interest	Subtotal	Requirements
	Debt				
2024-25	9,935,488				
2025-26	7,526,659				
2026-27	4,772,419				
2027-28	4,762,356				
2028-29	4,761,156				
2029-30	4,762,156				
2030-31	4,759,356				
2031-32	4,762,656				
2032-33	4,761,606				
2033-34	4,761,156				
2034-35	4,761,056				
2035-36	4,761,056				
2036-37	4,760,956				
2037-38	4,760,456				
2038-39	4,763,506				
2039-40	4,760,381				
2040-41	4,761,119				
2041-42	4,760,256				
2042-43	4,762,506				
2043-44	4,761,850				
2044-45	4,758,569				
2045-46	4,397,413				
2046-47	4,400,881				
2047-48	4,401,225				
2048-49	4,402,575				
2049-50	4,400,025				
2050-51	3,873,350				
2051-52	648,300				
2052-53	130,625				
Total	\$134,591,116				

⁽¹⁾Totals may not add due to rounding.

**TABLE 14
KENNETT CONSOLIDATED SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY COMMONWEALTH AID***

2023-24 State Aid Received	\$22,084,471
2023-24 Debt Service Requirements	\$7,971,317
Maximum Future Debt Service Requirements after Issuance of Bonds.....	\$9,935,488
Coverage of 2023-24 Debt Service Requirements.....	2.77 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	2.22 times

*Assumes current Commonwealth Aid Ratio. See "Commonwealth Aid to School Districts."

Future Financing

The School District does not anticipate issuing additional non-refunding long-term debt in the next 1-3 years.

LABOR RELATIONS

School District Employees

The School District is under contract with the Kennett Education Association (PSEA) covering 303 professional employees of the School District other than administrators. The Association acts as bargaining agent for such employees under the conditions of Pennsylvania Law (Act 195) providing for collective bargaining. Professional employees have a right to strike under Act 195 if bargaining and mediation do not result in agreement on a new contract. Contract negotiations are amicable and ongoing as the School District and collective bargaining unit operate under a status quo resolution.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administered by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.0% for the fiscal year 2025-26.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions, net of reimbursement, have been as follows:

2019-20	\$5,448,587
2020-21	\$5,416,437
2021-22	\$5,733,653
2022-23	\$6,189,388
2023-24	\$5,146,361
2024-25 (Budgeted)	\$6,393,091

At June 30, 2024, the School District reported a liability of \$102,541,000 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 PSERS total pension liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2023, the School District's proportion was 0.2304 percent which was an increase of 0.0064 percent from its proportion measured as of June 30, 2022.

As of June 30, 2024, the PSERS plan was 64.63% funded, with an unfunded actuarial accrued liability of approximately \$42.3 billion. PSERS' rate of return for fiscal year ended June 30, 2024 was 7.05%. The Fund had plan net assets of \$76.5 billion at June 30, 2024. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits

At June 30, 2024, the School District reported a liability of \$4,168,000 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 School District's proportion of the net OPEB liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2023, the School District's proportion as 0.2304% which was the same its proportion measured as of June 30, 2022.

Additional information regarding the School District's OPEB obligation is reported in the audited financial statements, Notes to the Financial Statement Number 10. No assurances can be given that the District's future OPEB obligations will not have a material impact on the District's ability to pay its debts, including the Bonds.

NO LITIGATION CERTIFICATE

At the time of settlement, the School District will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue said Bonds.

DEFAULTS AND REMEDIES

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

TAX MATTERS

Federal Tax Laws

Numerous provisions of the Internal Revenue Code of 1986, as amended (the “Code”), affect the issuers of state and local government unit bonds, such as the School District, and impair or restrict the ability of the School District to finance projects on a tax-exempt basis. Failure on the part of the School District to comply with any one or more of such provisions of the Code, or any regulations under the Code, could render interest on the Bonds includable in the gross income of the owners thereof for purposes of federal income tax retroactively to the date of issuance of the Bonds. Among these provisions are more restrictive rules relating to: (a) investment of funds treated as proceeds of the Bonds; (b) the prohibition on advance refunding of tax-exempt bonds; and (c) the use of proceeds of the Bonds to benefit private activities. In addition, under the Code, the School District is required to file an information return with respect to the Bonds and, if applicable, to “rebate” to the federal government certain arbitrage profits on an ongoing basis throughout the term of the issue constituting the Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Other provisions of the Code affect the purchasers and holders of certain state and local government bonds such as the Bonds. Prospective purchasers of the Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on (a) indebtedness incurred or continued to purchase or carry certain state or local government bonds, such as the Bonds, or, (b) in the case of a financial institution, that portion of a financial institution’s interest expense allocated to interest on certain state or local government bonds, such as the Bonds, unless the issuer of the state or local government bonds designates the bonds as “qualified tax-exempt obligations” for the purpose and effect contemplated by Section 265(b)(3)(B) of the Code (the School District has designated the Bonds as “qualified tax exempt obligations” under Section 265(b)(3)(B) of the Code, as such phrase is defined in the Code); (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(1) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest and amounts treated as such on certain state or local government bonds, such as the Bonds; (iii) interest on certain state or local government bonds, such as the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) if a Subchapter S corporation has passive investment income (which passive investment income will include interest on state and local government bonds such as the Bonds) exceeding 25% of such Subchapter S corporation’s gross receipts and if such Subchapter S corporation has Subchapter “C” earnings and profits, then interest income derived from state and local government bonds, such as the Bonds, may be subject to federal income tax under Section 1375 of the Code; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on certain state or local government bonds such as the Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Various legislative proposals have been submitted to Congress during the last several years, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax exempt interest. If enacted into law, such proposals may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds.

No prediction is made whether these provisions will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Bonds. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed. Bond Counsel has no obligation to provide updated information concerning pending or future legislation. The School District does not have any obligation to provide updated information concerning pending or future legislation. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds.

Tax Exemption

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain certifications and agreements relating to the use of Bond proceeds and covenants to comply with provisions of the Code and any applicable regulations thereunder, now or hereafter enacted, interest on the Bonds is not includable in the gross income of the holders of the Bonds under Section 103(a) of the Code and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes on individuals and corporations; however interest on the Bonds may be subject to the federal alternative minimum tax on “applicable

corporations” as defined in Section 59(k) of the Code for tax years beginning after December 31, 2022. Other provisions of the Code will affect certain purchasers and holders of the Bonds. See “Federal Tax Laws” above.

The School District has **not** designated and determined under and for purposes of Section 265(b)(3)(B) of the Code to qualify each of the Bonds as a “qualified tax-exempt obligation” as such phrase is defined in the Code.

In the opinion of Bond Counsel under the laws of the Commonwealth, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption shall not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania. The residence of a holder of a Bond in a state or jurisdiction other than Pennsylvania, or being subject to tax in a state or jurisdiction other than Pennsylvania, may result in income and other tax liabilities being imposed by such state or jurisdiction or its political subdivisions, as applicable, based on the interest or other income from the Bonds.

The School District will issue its certificate regarding the facts, estimates and circumstances in existence on the date of delivery of the Bonds and regarding the anticipated use of the proceeds of the Bonds. The School District will certify that, on the basis of the facts, estimates and circumstances in existence on the date of issuance of the Bonds, the School District does not reasonably expect to use the proceeds of the Bonds in a manner that would cause the Bonds to be or become “arbitrage bonds” or “private activity bonds” as those terms are defined in Section 148 and Section 141 of the Code.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS. ANY STATEMENTS REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

Regulations, Future Legislation

Under the provisions of the Code, the Treasury Department is authorized and empowered to promulgate regulations implementing the intent of Congress under the Code, which could affect the tax-exemption and/or tax consequences of holding tax-exemption obligation, such as the Bonds. In addition, legislation may be introduced and enacted in the future which could change the provisions of the Code relating to tax-exempt bonds of a state or local government unit, such as the School District, or the taxability of interest in general.

No representation is made or can be made by the School District, or any other party associated with the issuance of the Bonds as to whether or not any other legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to federal income taxes or so as to otherwise affect the marketability or market value of the Bonds.

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15-c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix C.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined “obligated persons”) with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

Fiscal Year Ending	Filing Due Date	Filing Date: Audit, Annual Comprehensive Financial Report ("ACFR")⁽¹⁾ and Budget
6/30/2024	2/25/2025	12/17/2024 ⁽²⁾
6/30/2023	2/25/2024	1/8/2024 ⁽²⁾
6/30/2022	2/25/2023	12/21/2022
6/30/2021	2/25/2022	12/17/2021
6/30/2020	2/25/2021	12/18/2020 ⁽³⁾

⁽¹⁾Operating data is not a separate filing and is contained in the School District's ACFR.

⁽²⁾Pursuant to the School District’s continuing disclosure undertaking requirements for its General Obligation Bonds, Series of 2022 and General Obligation Bonds, Series of 2023, the School District is obligated to post “Realty and Non-Realty Rates”, certain portions of which mills and rates can be found in the Audit, ACFR, and Budget posted to EMMA.

⁽³⁾This filing date is respective of the Audit and Budget reports; the Annual Comprehensive Financial Report containing the operating data was subsequently filed to EMMA by the School District on 12/22/2020.

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements.

RATING

Moody’s Investor’s Service, Inc. has assigned its underlying rating of “Aa2” to the Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the School District at an aggregate price of \$ _____, which includes an underwriting discount of \$ _____ and a net original issue premium of \$ _____. The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter has provided the following information for inclusion in this Preliminary Official Statement: The Underwriter and their respective affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and their respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer and/or Borrower. The Underwriter and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer and/or Borrower. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

LEGAL OPINION

The Bonds are offered subject to the receipt of the unqualified approving legal opinion of Saxton & Stump, LLC, Bond Counsel of Lancaster, Pennsylvania. Certain other legal matters will be passed upon for the School District by Fox Rothschild LLP, Blue Bell, Pennsylvania, School District Solicitor and for the Underwriter by Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The School District has authorized the distribution of this Preliminary Official Statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Chester County, Pennsylvania

By: _____
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Kennett Consolidated School District

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Population

Table A-1, which follows, shows recent population trends for the School District, Chester County and the Commonwealth of Pennsylvania (the “Commonwealth”). Table A-2 shows 2020 age composition and average number of persons per household in Chester County and for the State. Average household size for Chester County was higher than the Statewide average.

TABLE A-1
RECENT POPULATION TRENDS

<u>Area</u>	<u>2010</u>	<u>2020</u>	<u>Compound Average Annual Percentage Change 2010-2020</u>
School District.....	26,196	27,679	1.04%
Chester County.....	534,413	538,649	0.08%
Pennsylvania	12,702,379	13,002,700	0.23%

Source: U.S. Census Bureau, Census 2020 & 2010

TABLE A-2
AGE COMPOSITION

	<u>0-17</u>	<u>18-64</u>	<u>65+</u>	<u>Persons Per</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Household</u>
Chester County.....	22.7%	60.9%	16.4%	2.54
Pennsylvania	20.8%	61.4%	17.8%	2.42

Source: U.S. Bureau of the Census, 2020 Census Summary File 1.

Employment

Overall employment data are not compiled for the School District, but such data are compiled for the Montgomery-Bucks-Chester, PA Metropolitan Division (an area which includes the School District) as shown on Table A-3.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
MONTGOMERY-BUCKS-CHESTER, PA METROPOLITAN DIVISION
December 2024
NONFARM JOBS - NOT SEASONALLY ADJUSTED

Establishment Data	Industry Employment				Net Change From:	
	Dec 2024	Nov 2024	Oct 2024	Dec 2023	Nov 2024	Dec 2023
TOTAL NONFARM	1,141,700	1,139,700	1,136,200	1,126,800	2,000	14,900
TOTAL PRIVATE	1,054,300	1,052,100	1,049,600	1,040,700	2,200	13,600
GOODS-PRODUCING	146,200	146,800	147,500	147,700	(600)	(1,500)
Mining, Logging, Construction	57,300	57,900	59,100	56,600	(600)	700
Manufacturing	88,900	88,900	88,400	91,100	0	(2,200)
Durable Goods	45,600	45,600	45,300	45,900	0	(300)
Non-Durable Goods	43,300	43,300	43,100	45,200	0	(1,900)
Chemical mfg.	19,300	19,200	19,200	20,200	100	(900)
SERVICE-PROVIDING	995,500	992,900	988,700	979,100	2,600	16,400
PRIVATE SERVICE-PROVIDING	908,100	905,300	902,100	893,000	2,800	15,100
Trade, Transportation, and Utilities	209,800	206,900	203,400	208,300	2,900	1,500
Wholesale Trade	59,500	59,300	59,400	58,900	200	600
Retail Trade	113,500	111,400	108,800	112,900	2,100	600
General Merchandise Retailers	20,800	20,300	19,300	21,200	500	(400)
Transportation, Warehousing, and Utilities	36,800	36,200	35,200	36,500	600	300
Information	25,600	25,400	25,400	25,200	200	400
Financial Activities	90,800	90,200	90,500	89,900	600	900
Finance and insurance	76,200	75,700	76,000	75,400	500	800
Credit Intermediation and Related Activities	17,400	17,400	17,400	17,400	0	0
Depository Credit Intermediation	10,300	10,300	10,300	10,100	0	200
Insurance Carriers and Related Activities	29,500	29,400	29,400	29,300	100	200
Real Estate and Rental Leasing	14,600	14,500	14,500	14,500	100	100
Professional and Business Services	211,100	212,500	212,700	213,100	(1,400)	(2,000)
Professional and Technical Services	114,700	115,000	115,200	116,200	(300)	(1,500)
Scientific Research and Development Services	23,300	23,400	23,500	23,600	(100)	(300)
Management of Companies and Enterprises	31,400	31,300	31,400	30,500	100	900
Administrative and Waste Services	65,000	66,200	66,100	66,400	(1,200)	(1,400)
Education and Health Services	229,300	229,700	227,800	218,700	(400)	10,600
Educational Services	30,500	31,500	31,200	31,900	(1,000)	(1,400)
Health Care and Social Assistance	198,800	198,200	196,600	186,800	600	12,000
Ambulatory Health Care Services	75,200	75,000	74,400	69,600	200	5,600
Hospitals	32,400	32,300	32,100	31,700	100	700
Nursing and Residential Care Facilities	36,300	36,200	35,900	34,900	100	1,400
Social Assistance	54,900	54,700	54,200	50,600	200	4,300
Leisure and Hospitality	92,000	91,600	93,200	89,800	400	2,200
Accommodation and food services	73,100	72,300	73,100	72,200	800	900
Other Services	49,500	49,000	49,100	48,000	500	1,500
Government	87,400	87,600	86,600	86,100	(200)	1,300
Federal Government	6,300	6,300	6,300	6,400	0	(100)
State Government	10,700	10,700	10,500	10,600	0	100
Local Government	70,400	70,600	69,800	69,100	(200)	1,300
Local Government Educational Services	50,100	50,300	49,600	49,000	(200)	1,100
Local Government Excluding Educational Services	20,300	20,300	20,200	20,100	0	200
Data benchmarked to March 2023						

Source: Pennsylvania Department of Labor & Industry, Center for Workforce Information & Analysis.

Major employers located within Chester County include:

<u>Name</u>
The Vanguard Group Inc.
The Chester County Hospital
County of Chester
Main Line Hospitals Inc.
Federal Government
Giant Food Stores LLC
Downingtown Area School District
Chester County Intermediate
West Chester Area School District
PA State System of Higher Education

Source: PA Department of Labor & Industry, Center for Workforce Information & Analysis, 2nd Quarter of 2024.

Table A-4 shows recent trends in labor force, employment and unemployment for Chester County and the Commonwealth.

**TABLE A-4
TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
NOT SEASONALLY ADJUSTED**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024(1)</u>	Compound Average Annual % Rate
Chester County						
Civilian Labor Force (000)	286.4	288.5	294.8	298.5	291.1	0.33%
Employment (000)	268.5	277.1	286.0	290.8	283.9	1.12%
Unemployment (000)	17.9	11.3	8.8	7.7	7.2	(16.65%)
Unemployment Rate	6.2	3.9	3.0	2.6	2.5	
Pennsylvania						
Civilian Labor Force (000)	6,506	6,432	6,465	6,518	6,426	(0.25%)
Employment (000)	5,930	6,054	6,202	6,296	6,215	0.94%
Unemployment (000)	577	378	263	223	211	(18.22%)
Unemployment Rate	8.9	5.9	4.1	3.4	3.3	

⁽¹⁾As of November 2024.

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Income

Income

The data on Table A-5 shows recent trends in per capita income for the School District, Chester County and Pennsylvania over the 2010-2020 period. Per capita income in the School District is higher than average per capita income for the Commonwealth. Both the School District and County per capita income is higher than the Commonwealth per capita.

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

	<u>2010</u>	<u>2020</u>	<u>Percentage Change</u> <u>2010-2020</u>
School District.....	45,219	46,241	0.22%
Chester County.....	42,556	52,711	2.16%
Pennsylvania.....	26,678	35,518	2.90%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: U.S. Census Bureau, 2010 and 2020 Census and U.S. Census Bureau.

Commercial Activity

Table A-6 shows trends for retail sales in Chester County and the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(000)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Chester County	\$16,149,514	\$16,586,181	\$16,689,538	\$20,551,778	\$19,467,582
Pennsylvania	244,709,540	251,185,116	274,685,600	297,770,326	310,912,244

Source: The Nielsen Company.

Transportation

The School District's position as a residential community is bolstered by a fine network of federal and state highways which make commuting to the major employment centers convenient. U.S. Route 1 crosses the area in a north-south direction connecting the area with Philadelphia via Media to the north, and Baltimore to the south. State routes #41, 52 and 82 cross the School District.

Higher Education

Residents of the Chester County benefit from a number of cultural and economic advantages provided by the educational institutions in the region. Albright College in Reading is nationally ranked, offering a 4-year liberal arts program; also located in Reading is Alvernia College, which offers a quality education that combines liberal arts with career and professional opportunities; Cabrini College, located in Radnor, is a Catholic, co-educational institution that offers programs in liberal arts and professional studies; Immaculata College, located in Immaculata, is a Catholic liberal arts college, having an enrollment of approximately 2,300 full and part-time students; Lehigh University, located in Bethlehem, has an enrollment of 2,064 graduate students; Penn State-Great Valley, located in Malvern, is a special mission campus of the Penn State University, offering graduate and continuing education courses to approximately 1,000 adult, part-time students; Ursinus College, one of the top 50 liberal arts colleges in the East, is located in Suburban Philadelphia; Drexel University, St. Joseph's University, Temple University and the University of Pennsylvania are all located in Philadelphia; Villanova University is located in Villanova; and West Chester University, located in West Chester, the largest 4-year liberal arts college in Chester County, has a total enrollment of more than 12,000, which includes its Exton Campus.

Utilities

Electric and gas service is furnished by the Philadelphia Electric Company. Water is provided mainly by private wells or municipally owned water systems and sewer service on site systems.

Medical Facilities

There are five general acute care hospitals, one long-term acute care hospital, two psychiatric hospitals, one rehabilitation hospital, one VA hospital and one specialty hospital that serve Chester County.

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APPENDIX B
Opinion of Bond Counsel

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SAXTON & STUMP

LAWYERS AND CONSULTANTS

280 Granite Run Drive, Suite 300 • Lancaster, PA 17601
P: (717) 556-1000 • F: (717) 441-3810

DRAFT

**KENNETT CONSOLIDATED SCHOOL DISTRICT
CHESTER COUNTY, PENNSYLVANIA
\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2025**

OPINION

We have acted as Bond Counsel in connection with the issuance by the Kennett Consolidated School District, Lancaster County, Pennsylvania (the "School District"), of the \$ _____ General Obligation Bonds, Series of 2025 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to two resolutions adopted by the Board of School Directors of the School District on October 10, 2022.
2. The Bonds are a valid and binding obligation of the School District.
3. The School District has established with the Paying Agent, as Sinking Fund Depositary, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.
4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the

“state aid intercept” provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,

SAXTON & STUMP, LLC

_____, 2025

APPENDIX C
Continuing Disclosure Certificate

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DRAFT

KENNETT CONSOLIDATED SCHOOL DISTRICT CHESTER COUNTY, PENNSYLVANIA

\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2025
DATED, ISSUED AND DELIVERED _____, 2025

CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$ _____ General Obligation Bonds, Series of 2025 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of Kennett Consolidated School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

Section 1. Undertaking to file current information with MSRB. The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2025:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

b. An update of the following information in the Official Statement for the Bonds dated _____:

- (i) Real Property Assessment Data; (Table 6) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);
- (ii) Real Property Tax Collection Data; (Table 9) (may be contained within the budget or audit for the current fiscal year without need for further cross reference); and
- (iii) Ten Largest Real Property Taxpayers (Table 10) (may be contained within the budget or audit for the current fiscal year without need for further cross reference)

Any or all of the items listed above may also be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 2. Modification of types of information and format of information permitted. The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

Section 3. Time period within which annual information must be filed. The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2025. Such information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

Section 4. Notice of failure to comply with annual information updates. The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

Section 5. Event disclosure. The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of any credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, IRS notices or material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;

- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the School District (which is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District);
- m. Merger, consolidation or acquisition involving the School District, if material; or
- n. Appointment of successor or additional trustee or the change of name of a trustee, if material.
- o. Incurrence of a financial obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the School District, any of which reflect financial difficulties.

For purposes of this Section, the term financial obligation shall mean a (i) debt obligation; (ii) derivative instrument entered onto in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 6. Termination of reporting obligation. The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

Section 7. Enforcement. The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

Section 8. Amendment; waiver. Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

Kennett Consolidated School District

By: _____
(Vice) President

Attest: _____
Secretary

(SEAL)

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APPENDIX D
Audited Financial Statement

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

AUDIT REPORT

JUNE 30, 2024

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KENNETT CONSOLIDATED SCHOOL DISTRICT

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KENNETT CONSOLIDATED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 30, 2024

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kennett Consolidated School District (the District), Kennett Square, Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kennett Consolidated School District, Kennett Square, Pennsylvania, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Members of the Board
Kennett Consolidated School District

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

Report on Summarized Comparative Information

We have previously audited the District's 2023 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in our report dated November 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, and schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, and schedule of changes in the District's net OPEB liability - single employer plan on pages 61 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

Members of the Board
Kennett Consolidated School District

with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

This section of the Kennett Consolidated School District's ("the District") annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 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 assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,016,681. This is due to the recognition of the District's share of the net pension liability of the Public School Employees Retirement System of Pennsylvania ("PSERS") as required by Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions" and the District's net other postemployment benefits ("OPEB") liability as required by GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The District's allocation of PSERS net pension liability is \$102,541,000, and the District's net OPEB liability is \$15,933,000. As a result, the District's unrestricted net position is \$(86,540,153).
- The District's net position increased by \$3,877,108 during the current fiscal year. The increase in net position is attributable to revenues exceeding expenses. This is the result of higher than expected real estate taxes, transfer taxes and earned income tax collections and additional federal grant funding related to COVID.
- The District's governmental funds reported combined ending fund balances of \$102,318,217, an increase of \$57,721,283 in comparison with the prior year. The increase is due to the District's new general obligation bonds for future capital projects. Approximately 9.6 percent of this total amount, \$9,830,598, is available for spending at the District's discretion.
- The District issued General Obligation Bond Series of 2023 in September of 2023 and General Obligation Bonds Series of 2024 in May of 2024. Series of 2023 was issued in the amount of \$9,995,000 and the Series of 2024 was issued in the amount of \$46,625,000. The funds will be used toward future building projects at New Garden Elementary and Greenwood Elementary.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$7,780,598 or 7.9 percent of total general fund expenditures. The District chose to commit \$1,550,000 for 2024-2025 and \$500,000 for 2025-2026 to offset future increased debt service payments.
- The District's total liabilities increased by \$60,151,995, or 38.1 percent, during the fiscal year. The increase is primarily due to changes in the District's general obligation bonds payable in future years, \$82,761,869.
- The net position of business-type activities, the food service operation, decreased by \$189,468. The food service operation was allocated one percent of the District's net pension liability for PSERS and net OPEB liability, which is \$1,025,409 and \$159,330 for the current year, respectively. Revenues for the food service operation increased by 4.1 percent to \$2,204,114 and expenses increased by 27.8 percent to \$2,393,582.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2024**

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements, which present different views of the District. The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District which report the District's operations in more detail than the government-wide statements. The governmental funds statements indicate how basic services such as regular and special education were financed in the short-term as well as indicate future spending plans. Proprietary fund statements offer short and long-term financial information about the activities the District operates like a business, such as food services. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and the scholarship fund. The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data.

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

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services and self-insurance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflow of resources/liability/deferred inflow of resources information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2024**

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

The District has three types of funds as follows:

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information on a schedule following each of the governmental funds statements explains the relationship (or differences) between them.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2024**

Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. Proprietary funds are classified as enterprise or internal service. The District's *Enterprise Fund* (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the Food Service Fund.

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

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

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

Impact of GASB Statements No. 68 and No. 71

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

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

More specifically, the District contributes to the PSERS, a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multi-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District will report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2024**

projected employer and employee contributions as well as expectation that the assets will grow at the long-term assumed rate of return on plan investments.

While the net pension liability is significant to the District's financial statements, it is a liability that the District has limited control over. In recent years, the PSERS employer contribution rate has risen significantly, from 4.78 percent in 2009 - 2010 to 34 percent in 2023 - 2024. These increases are expected to improve the plan's funding level, which should reduce net position in future years. This rate is anticipated to continue to increase to a level of 38 percent in future years. Senate Bill 1 of 2017, which took effect in 2019-2020, is intended to provide long-term reform to ensure the future sustainability of the pension system.

Impact of GASB Statement No. 75

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

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

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

- The District must now recognize the net OPEB liability, as opposed to an amortized portion of the liability (the Net OPEB Obligation).
- The annual OPEB expense replaces the Annual Required Contribution ("ARC"), with faster recognition than what was previously required.
- Entry age normal cost method is required to determine liability.
- Discount rate is based on employer's assets and calculation of Actuarial Determined Contribution if prefunding. Since the District's plan is unfunded, a 20-year tax exempt municipal bond rate is utilized.
- Enhanced disclosures of historical contributions, funded status, and basis for actuarial assumptions is required.
- Description of any benefit and assumption changes as well as an expanded Notes section and Required Supplementary Information ("RSI") required.

Financial Analysis of the District as a Whole

The District's net position was adversely affected by the District's recognition of its proportionate share of the net pension liability of the Public School Employees' Retirement System of Pennsylvania ("PSERS") and the District's net OPEB liability. For the current year, the District's share of the PSERS net pension liability is \$102,541,000, and the District's net OPEB liability is \$15,933,000. The total net position is \$14,016,681, resulting in a negative *unrestricted net position* of \$(86,540,153). The following table presents condensed financial information for the net position of the District as of June 30, 2024 and 2023.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2024**

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$124,085,626	\$ 62,477,163	\$ 2,062,602	\$ 1,911,944	\$126,148,228	\$ 64,389,107
Capital assets	91,066,985	93,801,445	168,147	613,426	91,235,132	94,414,871
Total Assets	215,152,611	156,278,608	2,230,749	2,525,370	217,383,360	158,803,978
Deferred Outflows of Resources	21,707,193	18,030,374	218,630	182,696	21,925,823	18,213,070
Total Assets and Deferred Outflows of Resources	236,859,804	174,308,982	2,449,379	2,708,066	239,309,183	177,017,048
Long-term liabilities	201,591,063	144,580,402	1,200,127	1,171,560	202,791,190	145,751,962
Other liabilities	15,006,780	11,813,206	66,432	147,239	15,073,212	11,960,445
Total Liabilities	216,597,843	156,393,608	1,266,559	1,318,799	217,864,402	157,712,407
Deferred Inflows of Resources	7,354,215	9,074,204	73,885	90,864	7,428,100	9,165,068
Total Liabilities and Deferred Inflows of Resources	223,952,058	165,467,812	1,340,444	1,409,663	225,292,502	166,877,475
Net position:						
Net investment in capital assets	70,420,280	71,012,121	168,147	613,426	70,588,427	71,625,547
Restricted	29,968,407	34,753,472	-	-	29,968,407	34,753,472
Unrestricted (Deficit)	(87,480,941)	(96,924,423)	940,788	684,977	(86,540,153)	(96,239,446)
Total net Position (Deficit)	\$ 12,907,746	\$ 8,841,170	\$ 1,108,935	\$ 1,298,403	\$ 14,016,681	\$ 10,139,573

A significant portion of the District's net position, \$70,420,280, reflects its investment in capital assets (land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$29,968,407, represents resources that are restricted for capital projects.

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

The District's net position increased by \$3,877,108 during the current fiscal year. The increase in net position is attributable to revenues exceeding expenses. Governmental activities increased the District's net position by \$4,066,576, thereby accounting for the majority of the total growth in the net position.

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

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

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for services	\$ 126,367	\$ 198,401	\$ 555,102	\$ 572,325	\$ 681,469	\$ 770,726
Operating grants and contributions	16,464,181	16,278,359	1,553,025	1,487,369	18,017,206	17,765,728
General Revenues:						
Property taxes and other taxes						
Levied for general purposes	75,656,545	74,816,953	-	-	75,656,545	74,816,953
State and federal aid	9,788,177	9,156,877	-	-	9,788,177	9,156,877
Other	5,081,360	2,396,715	95,987	57,713	5,177,347	2,454,428
Total Revenues	<u>107,116,630</u>	<u>102,847,305</u>	<u>2,204,114</u>	<u>2,117,407</u>	<u>109,320,744</u>	<u>104,964,712</u>
Expenses:						
Instruction	65,757,655	51,597,513	-	-	65,757,655	51,597,513
Instructional support	8,646,734	7,746,635	-	-	8,646,734	7,746,635
Non-instructional services	26,599,433	23,992,423	-	-	26,599,433	23,992,423
Other	2,046,232	1,759,768	2,393,582	1,872,910	4,439,814	3,632,678
Total Expenses	<u>103,050,054</u>	<u>85,096,339</u>	<u>2,393,582</u>	<u>1,872,910</u>	<u>105,443,636</u>	<u>86,969,249</u>
Increase (Decrease) in Net Position	4,066,576	17,750,966	(189,468)	244,497	3,877,108	17,995,463
Beginning Net Position (Deficit), Restated	<u>8,841,170</u>	<u>(8,909,796)</u>	<u>1,298,403</u>	<u>1,053,906</u>	<u>10,139,573</u>	<u>(7,855,890)</u>
Ending Net Position (Deficit)	<u>\$ 12,907,746</u>	<u>\$ 8,841,170</u>	<u>\$ 1,108,935</u>	<u>\$ 1,298,403</u>	<u>\$ 14,016,681</u>	<u>\$ 10,139,573</u>

Governmental Activities: Total revenues increased by \$4,269,325 or 4.2 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$75,656,545, or 70.6 percent. The increase of \$839,592 (1.1 percent) is due to an increase in the millage rate of 0.9 percent and a recovery in the tax base, along with an increase in realty transfer and earned income taxes. Another \$9,788,177, or 9.1 percent, came from state and federal aid, such as the basic education and ESSER (Elementary and Secondary School Emergency Relief) subsidies, respectively. The remainder, \$21,671,908 or 20.2 percent, came from various sources. Revenue of \$16,646,181 came from operating grants, including funds for special education, student transportation, retirement, and social security. Revenue of \$4,588,307 came from earnings on investments, revenue of \$126,367 came from fees charged for services, and other revenue amounted to \$493,053.

The total cost of all governmental programs and services increased to \$103,050,054, an increase of \$17,953,715, or 21.1 percent. The District's expenses are predominately related to instructing, caring for (instructional support services and operation/maintenance of school facilities) and transporting students, which represents \$101,003,822, or 98.0 percent, of total expenses. Total revenues exceeded total expenses, which produced an increase in net position of \$4,066,576 over the past year.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
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Presented below is the cost of four major District activities: instruction, instructional support, non-instructional services, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. The net cost of all governmental activities increased by \$17,839,927 to \$86,459,506. The state and federal government subsidized certain programs with capital and operating grants and contributions which totaled \$16,464,181 and charges for certain services also offset the costs by \$126,367.

Net Cost of Governmental Activities

Functions/Programs	Total Cost of Services			Percentage Change	Net Cost of Services		
	2024	2023	2024		2023	Percentage Change	
	Instruction	\$ 65,757,655	\$ 51,597,513		27.4%	\$ 53,545,338	\$ 39,622,852
Instructional support	8,646,734	7,746,635	11.6%	7,877,968	6,928,121	13.7%	
Non-instructional services	26,599,433	23,992,423	10.9%	23,436,942	20,786,532	12.8%	
Other	2,046,232	1,759,768	16.3%	1,599,258	1,282,074	24.7%	
Total	\$103,050,054	\$ 85,096,339	21.1%	\$ 86,459,506	\$ 68,619,579	26.0%	

Business-type Activities: Business-type activities decreased the District's net position by \$189,468. Total revenues increased by \$86,707 over the prior year. The United States Department of Agriculture (USDA) continued several waivers allowing the District to feed all children, 18 and under, this additional revenue along with the return of revenue from sales of non-reimbursable food items was the contributing factors. Total expenses also increased by \$520,672, or 5.1 percent, as a result of increased volume. In addition to the District-wide financial statements, the Food Service program is reported in greater detail in the proprietary fund statements.

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

Net Cost of Business-type Activities

Food services	Total Cost of Services			Percentage Change	Net Cost of Services		
	2024	2023	2024		2023	Percentage Change	
	\$ 2,393,582	\$ 1,872,910	27.8%		\$ 520,672	\$ 244,497	112.96%

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2024**

Financial Analysis of the Government's Funds

Governmental Funds

At the end of June 30, 2024, governmental funds had total fund balances of \$102,318,217, an increase of \$57,721,283 in comparison with the previous year. Approximately 7.6 percent of this total amount, \$7,780,598, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed for capital projects or other expenditures.

The general fund is the chief operating fund of the District. At the end of the previous fiscal year, unassigned fund balance of the general fund was \$7,780,598, the District committed \$1,550,000 for use in 2024-2025 and \$500,000 for use in 2025-2026 to offset a temporary increase in debt service payments.

In 2023-2024 the District issued General Obligation Bond Series of 2023 in September of 2023. Series of 2023 was issued in the amount of \$9,995,000. The District issued General Obligation Bond Series of 2024 in May of 2024. Series of 2024 was issued in the amount of \$46,625,000. The capital projects fund had a restricted balance of \$62,509,107, on June 30, 2024. The restricted fund balance will be used toward future building projects at New Garden Elementary and Greenwood Elementary.

The capital reserve fund has a total fund balance of \$29,968,407, all of which is restricted for capital improvements. Receipts for this type of capital reserve fund come from transfers during or at the end of the fiscal year from appropriations in the general fund when there is a surplus. The net increase in fund balance during the current year in the capital reserve fund was \$2,098,824. The capital reserve fund received transfers from the general fund of \$6,220,088. The capital reserve fund had expenditures of \$5,072,413 for a variety of facility improvements including renovations to the High School Annex, District Office expansion project, modular at Greenwood Elementary, new roofing at Mary D. Lang Kindergarten Center and Kennett High School.

Proprietary Funds

The unrestricted net position of the food service fund at the end of the year amounted to \$940,788. The net position for this fund decreased by \$189,468. Factors concerning the finances of this fund are addressed in the discussion of the District's business-type activities.

The District's internal service fund is used to account for the operation of its self-insurance program for employee medical, prescription drug, and dental claims. The unrestricted net position of the internal service fund at the end of the year amounted to \$5,846,971 and represents resources accumulated for anticipated future losses. The net position for this fund increased by \$740,517, due to lower than anticipated insurance claims. This residual balance is reported in the governmental activities since the services provided primarily benefit the governmental activities.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes transfers between functional categories to accommodate differences from the original budget to the actual expenditures. A schedule showing the

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
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District's original budget and final budget amounts compared to amounts actually received or disbursed is provided in the financial statements.

While the District's original budget for the general fund anticipated a balanced budget, the actual results for the year reflected a surplus of \$5,955,408 prior to transfers. An amount of \$6,220,088 was transferred to the District's capital reserve fund for anticipated capital improvements as outlined in the District's five-year plan. The net deficit after the transfer decreased the general fund's fund balance by \$2,759 to \$9,840,703.

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

- Increases in delinquent tax collection resulted in additional revenues of \$431,967.
- Increases in investment earnings resulted in additional revenues of \$1,475,726.
- Increases in earned income taxes resulted in additional revenues of \$655,388.
- Increases in transfer tax collections resulted in additional revenues of \$281,462.
- Increase in Ready to Learn Block Grant resulted in additional revenues of \$500,000.

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

- Decrease in contracted student transportation resulted in a savings of \$147,164.
- As a result of decreased contracted services for classroom aids a savings of \$623,548 occurred.
- Decreased psychological testing resulted in a savings of \$232,684.
- Decreased expenditures in the long-range plan resulted in savings of \$170,392.
- Decreased new equipment purchases in technology resulted in savings of \$156,475.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2024, the District had investments of \$91,235,132 (net of depreciation and amortization) in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, fixtures, and equipment. This amount represents a decrease of \$3,179,740, or 3.4 percent, for the year. Total depreciation expense for the year amounted to \$2,832,927. More detailed information about capital assets can be found in Note 7 to the financial statements.

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2024	2023	2024	2023	2024	2023	
Land	\$ 3,060,599	\$ 3,060,599	\$ -	\$ -	\$ 3,060,599	\$ 3,060,599	0.0%
Construction-in-progress	2,500,068	7,915,968	-	-	2,500,068	7,915,968	-68.4%
Building and building improvements	83,364,470	80,767,037	-	-	83,364,470	80,767,037	3.2%

Continued on next page

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
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	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2024	2023	2024	2023	2024	2023	
(cont'd)							
Right to use lease asset	257,764	234,241	-	-	257,764	234,241	10%
Right to use subscription asset	116,848	178,459	-	-	116,848	178,459	-34.5%
Fixtures and equipment	1,767,236	1,645,142	168,147	613,426	1,935,383	2,258,568	-7.4%
Total	<u>\$ 91,066,985</u>	<u>\$ 93,801,446</u>	<u>\$ 168,147</u>	<u>\$ 613,426</u>	<u>\$ 91,235,132</u>	<u>\$ 94,414,872</u>	<u>-3.2%</u>

Long-term Debt

As of June 30, 2024, the District had \$202,791,190 in outstanding long-term debt, an increase of \$57,069,228, or 39.2 percent, over last year. The District made annual debt service payments totaling \$6,707,000 and the general fund issued new debt in 2023 and 2024. More detailed information about the District's long-term liabilities is presented Note 8 of the financial statements.

Outstanding Long-term Liabilities – General Fund

	Totals		% Change
	2024	2023	
General Obligation Bonds, net	\$ 82,761,869	\$ 28,876,815	186.6%
Leases Payable	258,608	63,465	307.5%
Subscription Liability	135,335	152,745	-11.4%
Compensated absences	1,161,378	995,937	-16.6%
Net OPEB liability	15,933,000	16,075,000	-0.9%
Net pension liability	102,541,000	99,558,000	3.0%
Total	<u>\$ 202,791,190</u>	<u>\$ 145,721,962</u>	<u>39.2%</u>

Factors Bearing on the District's Future

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

- June 30, 2027 will mark the expiration of the current five-year contract with the Kennett Education Association. The economic package (salaries and fringe benefits) over the next two years provides for annual increases 3.8 percent and 3.7 percent and includes increasing employee contributions for healthcare costs.

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- July 31, 2027 will mark the expiration of the current six-year Student Transportation Agreement with the Krapf Bus Company. The agreement represents approximately five percent of the District's annual operating budget. The agreement had stipulated increases in the second, third and fourth years tied to the 12-month Calendar Consumer Price Index for Philadelphia-All Urban Consumers with a minimum of two percent and a maximum of five percent. Year five and year six provide for annual increases of 2.5 percent and 2 percent respectively.
- The District commissioned Sundance Associates of Cherry Hill, New Jersey to perform a comprehensive 10-year enrollment study. Sundance delivered their report entitled "Public School Enrollments for the Kennett Consolidated School District" in September 2021. The Methodology used in projecting enrollments is the recommended method of the Pennsylvania Department of Education (PDE) and is known as "Cohort Survival". The study finds data to support a slow downward trend in the District's enrollment from a high of 3,976 in 2021-22 to a low of 3,538 in 2029-30.
- In 2021 the School Board authorized the construction of two new elementary schools to replace the aged Greenwood and New Garden Elementary Schools. The new schools will be built on the existing sites and will not cause a disruption to the operation our educational programs. The Board subsequently engaged the professional architectural services of Breslin Architects, Allentown PA, and construction management services of D'Huy Engineering, Inc., Bethlehem PA, to design, bid, and construct the schools for an opening in September 2026. The total estimated project cost is \$107,000,000. The first borrowing, General Obligation Bond Series of 2022, occurred in November of 2022 in the amount of \$9,995,000. The second borrowing, General Obligation Bond Services of 2023, occurred in September 2023 in the amount of \$9,995,000. The third borrowing, General Obligation Bond Series of 2024, occurred in May of 2024 in the amount of \$46,625,000
- Consistent with historical trends, the District expects state and federal funding for public education to remain relatively flat, which will result in the need for greater local tax effort to fund instructional programs and services. The Commonwealth of Pennsylvania provided only 21 percent of total revenue sources to fund costs supporting the District's educational programs during the past year. Local sources of revenue, primarily property taxes, now support 75 percent of the costs for educational programs and services in the District. The federal government provided 4 percent of the funds to support general operations.
- Special Session of Act 1 of 2006: The law limits real estate tax increases to an index established by the Pennsylvania Department of Education. Districts that cannot balance their budget, even after including revenue to be obtained by increasing taxes to the maximum extent allowed by the index, are eligible to seek back-end referendum exceptions. The exceptions are for costs that are beyond the direct control of local school boards. However, the number of exceptions has been reduced from seven to two; increases in contributions to the employee retirement system and mandated special education costs (Act 25 of 2011). The District's adjusted Act 1 Index for 2024-2025 is 5.3 percent and for 2025-2026 is 4.0 percent. The District does not need a referendum for the 2024-2025 budget nor does it anticipate needing one for the 2025-2026 budget.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2024**

- Senate Bill 1 of 2017: The bill offers a significant step toward systemic long-term reform intended to ensure the future sustainability of the pension system. The bill focuses on the long-term advantages by gradually shifting the investment, inflation and longevity risks away from the state and school districts to future employees. Current employees have a Defined Benefit (DB) plan, which provides them with a retirement payment determined by a formula that takes into account retirement age, years of service, and final average salary. A Defined Contribution (DC) plan is a retirement investment program that is designed to offer employees a vehicle to save for retirement in a tax deferred environment. The pension benefit is determined by the amount of the contributions and the investment performance of the member's account. The plan under Senate Bill 1 of 2017 requires employees starting in 2019-2020 to select one of three new plan design options, either one of two side-by-side hybrid defined benefit (DB)/defined contribution (DC) plans or a stand-alone DC plan. No changes were made to retirement benefits for current employees, but they would have the option to choose one of the new plan designs. The PSERS retirement rate decreased from 35.26 percent in 2022 - 2023 to 34.00 percent in 2023 - 2024. The PSERS projections indicate that employer contribution rates will decrease to 33.90 percent in 2025 - 2026. Rates are projected into the future to increase to 37.30 percent by 2029 – 2030, further out than previously anticipated. Positive economic performance and plan design changes are expected to slow the employer rate increases and eventually lower them.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Kennett Consolidated School District, 300 East South Street, Kennett Square, PA 19348.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024
(With Summarized Comparative Data for June 30, 2023)

	Governmental Activities	Business-type Activities	Totals	
			2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 9,410,571	\$ 1,958,567	\$ 11,369,138	\$ 10,358,492
Investments	110,576,672	-	110,576,672	49,436,119
Taxes receivable, net	1,470,315	-	1,470,315	1,306,560
Due from other governments	2,523,586	15,899	2,539,485	3,115,615
Internal balance	(328)	328	-	-
Other receivables	94,705	603	95,308	58,456
Prepaid expenses	10,105	-	10,105	2,433
Inventories	-	87,205	87,205	111,431
Land	3,060,599	-	3,060,599	3,060,599
Construction-in-progress	2,500,068	-	2,500,068	7,915,968
Buildings and improvements	153,750,597	-	153,750,597	147,755,840
Right to use lease asset	496,162	-	496,162	234,241
Right to use subscription asset	178,459	-	178,459	178,459
Furniture and equipment	7,621,581	812,302	8,433,883	9,621,474
Accumulated depreciation and amortization	(76,540,481)	(644,155)	(77,184,636)	(74,351,709)
TOTAL ASSETS	215,152,611	2,230,749	217,383,360	158,803,978
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows relating to OPEB	3,334,791	34,254	3,369,045	4,181,312
Deferred outflows relating to pension	18,372,402	184,376	18,556,778	14,031,758
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,707,193	218,630	21,925,823	18,213,070
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 236,859,804	\$ 2,449,379	\$ 239,309,183	\$ 177,017,048
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 7,000,372	\$ 66,432	\$ 7,066,804	\$ 4,429,852
Accrued salaries and benefits	7,758,552	-	7,758,552	7,442,379
Unearned revenues	4,899	-	4,899	-
Accrued interest	242,957	-	242,957	88,214
Noncurrent liabilities				
Portion due or payable within one year:				
Bonds payable in future years, net	7,311,189	-	7,311,189	6,788,436
Lease liability	41,635	-	41,635	63,465
Subscription liability	20,617	-	20,617	17,410
Accumulated compensated absences	252,300	7,492	259,792	79,689
Portion due or payable after one year:				
Bonds payable in future years, net	75,450,680	-	75,450,680	22,088,379
Lease liability	216,973	-	216,973	-
Subscription liability	114,718	-	114,718	135,335
Accumulated compensated absences	893,690	7,896	901,586	916,248
Net OPEB liability	15,773,670	159,330	15,933,000	16,075,000
Net pension liability	101,515,591	1,025,409	102,541,000	99,588,000
TOTAL LIABILITIES	216,597,843	1,266,559	217,864,402	157,712,407
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows relating to OPEB	4,771,326	47,795	4,819,121	6,107,068
Deferred inflows relating to pension	2,582,889	26,090	2,608,979	3,058,000
TOTAL DEFERRED INFLOWS OF RESOURCES	7,354,215	73,885	7,428,100	9,165,068
NET POSITION (DEFICIT):				
Net investment in capital assets	70,420,280	168,147	70,588,427	71,625,547
Restricted - capital projects	29,968,407	-	29,968,407	34,753,472
Unrestricted (deficit)	(87,480,941)	940,788	(86,540,153)	(96,239,446)
TOTAL NET POSITION (DEFICIT)	12,907,746	1,108,935	14,016,681	10,139,573
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 236,859,804	\$ 2,449,379	\$ 239,309,183	\$ 177,017,048

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Comparative Data for the Year Ended June 30, 2023)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2024	2023
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 65,757,655	\$ -	\$ 12,212,317	\$ -	\$ (53,545,338)	\$ -	\$ (53,545,338)	\$ (39,622,852)
Instructional student support	8,646,734	-	768,766	-	(7,877,968)	-	(7,877,968)	(6,928,121)
Administrative and financial support services	9,962,970	-	879,777	-	(9,083,193)	-	(9,083,193)	(8,166,963)
Operation and maintenance of plant services	8,101,531	-	637,440	-	(7,464,091)	-	(7,464,091)	(6,997,616)
Pupil transportation	5,727,978	34,112	1,035,892	-	(4,657,974)	-	(4,657,974)	(3,990,676)
Student activities	2,806,954	92,255	483,015	-	(2,231,684)	-	(2,231,684)	(1,631,277)
Community services	2,333	-	-	-	(2,333)	-	(2,333)	-
Interest on long-term debt	919,140	-	446,974	-	(472,166)	-	(472,166)	(89,186)
Unallocated depreciation/amortization not included in activities above	1,124,759	-	-	-	(1,124,759)	-	(1,124,759)	(1,192,888)
TOTAL GOVERNMENTAL ACTIVITIES	<u>103,050,054</u>	<u>126,367</u>	<u>16,464,181</u>	<u>-</u>	<u>(86,459,506)</u>	<u>-</u>	<u>(86,459,506)</u>	<u>(68,619,579)</u>
BUSINESS-TYPE ACTIVITIES:								
Food service	2,393,582	555,102	1,553,025	-	-	(285,455)	(285,455)	186,785
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,393,582</u>	<u>555,102</u>	<u>1,553,025</u>	<u>-</u>	<u>-</u>	<u>(285,455)</u>	<u>(285,455)</u>	<u>186,785</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 105,443,636</u>	<u>\$ 681,469</u>	<u>\$ 18,017,206</u>	<u>\$ -</u>	<u>(86,459,506)</u>	<u>(285,455)</u>	<u>(86,744,961)</u>	<u>(68,432,794)</u>
GENERAL REVENUES								
Property taxes, levied for general purposes					68,153,831	-	68,153,831	67,474,016
Taxes levied for specific purposes					7,502,714	-	7,502,714	7,342,937
Grants and entitlements not restricted to specific programs					9,788,177	-	9,788,177	9,156,877
Investment earnings					4,588,307	95,987	4,684,294	2,248,976
Miscellaneous					493,053	-	493,053	205,451
TOTAL GENERAL REVENUES					<u>90,526,082</u>	<u>95,987</u>	<u>90,622,069</u>	<u>86,428,257</u>
CHANGE IN NET POSITION (DEFICIT)					4,066,576	(189,468)	3,877,108	17,995,463
NET POSITION (DEFICIT), BEGINNING OF YEAR					<u>8,841,170</u>	<u>1,298,403</u>	<u>10,139,573</u>	<u>(7,855,890)</u>
NET POSITION, END OF YEAR					<u>\$ 12,907,746</u>	<u>\$ 1,108,935</u>	<u>\$ 14,016,681</u>	<u>\$ 10,139,573</u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024
(With Summarized Comparative Data for June 30, 2023)**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals	
				2024	2023
ASSETS					
Cash and cash equivalents	\$ 4,281,776	\$ 2,719,873	\$ 594,515	\$ 7,596,164	\$ 6,752,936
Investments	18,946,494	60,031,599	26,791,825	105,769,918	45,371,043
Taxes receivable	1,489,795	-	-	1,489,795	1,326,040
Due from other funds	-	-	6,220,088	6,220,088	7,314,919
Due from other governments	2,523,587	-	-	2,523,587	3,115,616
Other receivables	94,705	-	-	94,705	55,827
Prepaid expenditures	10,105	-	-	10,105	2,433
TOTAL ASSETS	\$ 27,346,462	\$ 62,751,472	\$ 33,606,428	\$ 123,704,362	\$ 63,938,814
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 2,345,796	\$ 242,365	\$ 3,638,021	\$ 6,226,182	\$ 3,518,565
Due to other funds	6,220,416	-	-	6,220,416	7,312,673
Accrued salaries and benefits	7,758,552	-	-	7,758,552	7,442,379
Unearned revenues	4,899	-	-	4,899	-
TOTAL LIABILITIES	16,329,663	242,365	3,638,021	20,210,049	18,273,617
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - delinquent taxes	1,176,096	-	-	1,176,096	1,068,263
TOTAL DEFERRED INFLOWS OF RESOURCES	1,176,096	-	-	1,176,096	1,068,263
FUND BALANCES:					
Nonspendable	10,105	-	-	10,105	2,433
Restricted - capital projects	-	62,509,107	29,968,407	92,477,514	34,753,472
Committed	2,050,000	-	-	2,050,000	2,050,000
Unassigned	7,780,598	-	-	7,780,598	7,791,029
TOTAL FUND BALANCES	9,840,703	62,509,107	29,968,407	102,318,217	44,596,934
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 27,346,462	\$ 62,751,472	\$ 33,606,428	\$ 123,704,362	\$ 63,938,814

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2024**

TOTAL GOVERNMENTAL FUND BALANCES \$ 102,318,217

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

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

Land	\$ 3,060,599	
Construction-in-progress	2,500,068	
Buildings and improvements	153,750,597	
Furniture and equipment	7,621,581	
Right to use lease asset	496,162	
Right to use subscription asset	178,459	
Accumulated depreciation and amortization	<u>(76,540,481)</u>	91,066,985

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

Bonds payable in future years, net	(82,761,869)	
Accumulated compensated absences	(1,145,990)	
Accrued interest	(242,957)	
Subscription liability	(135,335)	
Lease liability	(258,608)	
Net OPEB liability	(15,773,670)	
Net pension liability	<u>(101,515,591)</u>	(201,834,020)

The establishment of an allowance for doubtful accounts for property taxes receivable is not recorded in the funds because property taxes receivable are recorded as deferred outflows of resources. (19,481)

An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 5,846,971

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 1,176,096

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

Deferred outflows of resources:		
Deferred OPEB	3,334,791	
Deferred inflows of resources:		
Deferred OPEB	<u>(4,771,326)</u>	(1,436,535)

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

Deferred outflows of resources:		
Deferred pension	18,372,402	
Deferred inflows of resources:		
Deferred pension	<u>(2,582,889)</u>	<u>15,789,513</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 12,907,746

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Comparative Data for the Year Ended June 30, 2023)

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals	
				2024	2023
REVENUES					
Local sources	\$ 78,182,009	\$ 1,064,568	\$ 951,149	\$ 80,197,726	\$ 77,225,753
State sources	22,084,471	-	-	22,084,471	21,653,784
Federal sources	4,167,887	-	-	4,167,887	3,781,450
TOTAL REVENUES	<u>104,434,367</u>	<u>1,064,568</u>	<u>951,149</u>	<u>106,450,084</u>	<u>102,660,987</u>
EXPENDITURES					
Current:					
Instruction	56,242,970	-	-	56,242,970	52,667,153
Support services	32,086,121	-	-	32,086,121	29,914,494
Operation of noninstructional services	2,150,293	682,829	-	2,833,122	2,223,880
Capital outlays	28,258	5,760,132	5,072,413	10,860,803	6,918,144
Debt service	7,971,317	-	-	7,971,317	7,507,551
TOTAL EXPENDITURES	<u>98,478,959</u>	<u>6,442,961</u>	<u>5,072,413</u>	<u>109,994,333</u>	<u>99,231,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,955,408</u>	<u>(5,378,393)</u>	<u>(4,121,264)</u>	<u>(3,544,249)</u>	<u>3,429,765</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issuance	-	56,620,000	-	56,620,000	9,995,000
Discount on bond issuance	-	-	-	-	(200,865)
Premium on bond issuance	-	4,383,611	-	4,383,611	-
Proceeds from lease	261,921	-	-	261,921	-
Refund of prior year revenues	-	-	-	-	(4,835)
Sale of capital assets	-	-	-	-	16,775
Interfund transfers	(6,220,088)	-	6,220,088	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,958,167)</u>	<u>61,003,611</u>	<u>6,220,088</u>	<u>61,265,532</u>	<u>9,806,075</u>
NET CHANGE IN FUND BALANCES	(2,759)	55,625,218	2,098,824	57,721,283	13,235,840
FUND BALANCES, BEGINNING OF YEAR	<u>9,843,462</u>	<u>6,883,889</u>	<u>27,869,583</u>	<u>44,596,934</u>	<u>31,361,094</u>
FUND BALANCES, END OF YEAR	<u>\$ 9,840,703</u>	<u>\$ 62,509,107</u>	<u>\$ 29,968,407</u>	<u>\$ 102,318,217</u>	<u>\$ 44,596,934</u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 57,721,283

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

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

Capital outlays	\$ 1,020,113	
Loss on disposal	(5,373)	
Depreciation/amortization expense	<u>(3,749,201)</u>	(2,734,461)

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are recorded as deferred inflows of resources. Unavailable revenues increased by this amount this year. 107,833

The issuance of long-term debt (e.g. bonds, leases, subscription based IT arrangements) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences. (50,090,733)

An internal service fund has been established to account for self-insured healthcare costs. The net revenue is reported with governmental activities. 740,517

In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (164,984)

Governmental funds report bond premiums and discounts as other financing sources/uses. However, these amounts are reported netted against the outstanding bond liability on the statement of net position and amortized over the life of the debt. This is the amount of net amortization. (3,972,054)

Interest in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (154,743)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the District's estimated future benefit payments and related deferred inflows and deferred outflows, whereas OPEB expenditures are recognized in the governmental funds when a requirement to pay the benefits or to make contributions to the plan exists. 611,893

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 2,002,025

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,066,576

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 75,493,223	\$ 75,536,752	\$ 78,182,009	\$ 2,645,257
State sources	21,396,541	21,396,541	22,084,471	687,930
Federal sources	1,726,691	4,739,870	4,167,887	(571,983)
TOTAL REVENUES	<u>98,616,455</u>	<u>101,673,163</u>	<u>104,434,367</u>	<u>2,761,204</u>
EXPENDITURES				
Instruction:				
Regular programs	38,949,223	40,414,518	38,806,186	1,608,332
Special programs	12,729,906	12,729,906	15,120,282	(2,390,376)
Vocational programs	1,892,746	1,892,746	1,850,591	42,155
Other instructional programs	234,182	511,114	465,261	45,853
Nonpublic school programs	-	650	650	-
Total Instruction	<u>53,806,057</u>	<u>55,548,934</u>	<u>56,242,970</u>	<u>(694,036)</u>
Support Services:				
Pupil services	3,922,432	4,296,852	4,051,268	245,584
Instructional support	3,908,474	4,791,901	4,109,106	682,795
Administrative support	5,812,104	5,772,630	5,397,129	375,501
Pupil health	1,124,196	1,126,108	885,648	240,460
Business support	1,347,988	1,347,988	1,213,538	134,450
Operation and maintenance of plant services	8,144,800	8,128,481	7,541,261	587,220
Student transportation	5,922,055	5,921,032	5,714,330	206,702
Central support	3,300,078	3,439,574	3,140,773	298,801
Other support services	35,000	35,000	33,068	1,932
Total Support Services	<u>33,517,127</u>	<u>34,859,566</u>	<u>32,086,121</u>	<u>2,773,445</u>
Operation of noninstructional services	2,089,554	2,192,464	2,150,293	42,171
Capital outlay	225,000	198,650	28,258	170,392
Debt service	8,888,717	8,888,717	7,971,317	917,400
TOTAL EXPENDITURES	<u>98,526,455</u>	<u>101,688,331</u>	<u>98,478,959</u>	<u>3,209,372</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>90,000</u>	<u>(15,168)</u>	<u>5,955,408</u>	<u>5,970,576</u>
OTHER FINANCING SOURCES (USES)				
Budgetary reserve	(90,000)	(54,276)	-	54,276
Proceeds from lease	-	-	261,921	261,921
Transfers out	-	-	(6,220,088)	(6,220,088)
TOTAL OTHER FINANCING USES	<u>(90,000)</u>	<u>(54,276)</u>	<u>(5,958,167)</u>	<u>(5,903,891)</u>
NET CHANGE IN FUND BALANCE	-	(69,444)	(2,759)	66,685
FUND BALANCE, BEGINNING OF YEAR	<u>9,843,462</u>	<u>9,843,462</u>	<u>9,843,462</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,843,462</u>	<u>\$ 9,774,018</u>	<u>\$ 9,840,703</u>	<u>\$ 66,685</u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2024 AND 2023**

	Major Fund		Internal Service Fund	
	Food Service Fund			
	2024	2023	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,958,567	\$ 1,797,884	\$ 1,814,407	\$ 1,807,672
Investments	-	-	4,806,754	4,065,076
Due from other governments	15,899	-	-	-
Due from other funds	328	-	-	-
Other receivables	603	2,629	-	-
Inventories	87,205	111,431	-	-
Total Current Assets	<u>2,062,602</u>	<u>1,911,944</u>	<u>6,621,161</u>	<u>5,872,748</u>
FURNITURE AND EQUIPMENT:				
Net furniture and equipment	168,147	613,426	-	-
TOTAL ASSETS	<u>2,230,749</u>	<u>2,525,370</u>	<u>6,621,161</u>	<u>5,872,748</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to OPEB	34,254	42,377	-	-
Deferred outflows relating to pension	184,376	140,319	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>218,630</u>	<u>182,696</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,449,379</u>	<u>\$ 2,708,066</u>	<u>\$ 6,621,161</u>	<u>\$ 5,872,748</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 66,432	\$ 147,239	\$ 774,190	\$ 764,048
Compensated absences	7,492	7,839	-	-
Due to other funds	-	-	-	2,246
Noncurrent liabilities:				
Portion due or payable after one year:				
Compensated absences	7,896	7,092	-	-
Net OPEB liability	159,330	160,750	-	-
Net pension liability	1,025,409	995,879	-	-
TOTAL LIABILITIES	<u>1,266,559</u>	<u>1,318,799</u>	<u>774,190</u>	<u>766,294</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows relating to OPEB	47,795	60,284	-	-
Deferred inflows relating to pension	26,090	30,580	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>73,885</u>	<u>90,864</u>	<u>-</u>	<u>-</u>
NET POSITION:				
Net investment in capital assets	168,147	613,426	-	-
Unrestricted	940,788	684,977	5,846,971	5,106,454
TOTAL NET POSITION	<u>1,108,935</u>	<u>1,298,403</u>	<u>5,846,971</u>	<u>5,106,454</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 2,449,379</u>	<u>\$ 2,708,066</u>	<u>\$ 6,621,161</u>	<u>\$ 5,872,748</u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	Major Fund			
	Food Service Fund		Internal Service Fund	
	2024	2023	2024	2023
OPERATING REVENUES				
Food service revenues	\$ 555,102	\$ 572,325	\$ -	\$ -
Charges for health insurance	-	-	7,620,841	7,374,091
TOTAL OPERATING REVENUES	<u>555,102</u>	<u>572,325</u>	<u>7,620,841</u>	<u>7,374,091</u>
OPERATING EXPENSES				
Salaries	190,126	190,109	-	-
Employee benefits	106,587	88,572	-	-
Other purchased services	1,638,435	1,534,949	-	-
Self-insurance claims	-	-	7,177,116	7,162,933
Supplies	13,154	22,031	-	-
Depreciation	19,436	37,249	-	-
TOTAL OPERATING EXPENSES	<u>1,967,738</u>	<u>1,872,910</u>	<u>7,177,116</u>	<u>7,162,933</u>
OPERATING INCOME (LOSS)	<u>(1,412,636)</u>	<u>(1,300,585)</u>	<u>443,725</u>	<u>211,158</u>
NONOPERATING REVENUES				
Earnings on investments	95,987	57,712	296,792	150,819
State sources	199,531	161,070	-	-
Federal sources	1,353,494	1,326,300	-	-
TOTAL NONOPERATING REVENUES	<u>1,649,012</u>	<u>1,545,082</u>	<u>296,792</u>	<u>150,819</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	236,376	244,497	740,517	361,977
OTHER FINANCING SOURCES				
Gain (Loss) on sale of fixed assets	(425,844)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>(425,844)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(189,468)	244,497	740,517	361,977
NET POSITION, BEGINNING OF YEAR	<u>1,298,403</u>	<u>1,053,906</u>	<u>5,106,454</u>	<u>4,744,477</u>
NET POSITION, END OF YEAR	<u>\$ 1,108,935</u>	<u>\$ 1,298,403</u>	<u>\$ 5,846,971</u>	<u>\$ 5,106,454</u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	Major Fund		Internal Service Fund	
	Food Service Fund			
	2024	2023	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users	\$ 540,901	\$ 572,772	\$ 7,620,841	\$ 7,374,091
Payments to suppliers	(1,483,736)	(1,636,938)	-	-
Payments to employees	(321,059)	(321,168)	-	-
Cash payments for health insurance costs	-	-	(7,169,220)	(7,205,432)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,263,894)	(1,385,334)	451,621	168,659
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State sources	199,530	163,929	-	-
Federal sources	1,129,060	1,248,650	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,328,590	1,412,579	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Equipment acquisition	-	(12,439)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(12,439)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	-	-	(741,678)	(1,063,663)
Earnings on investments	95,987	57,712	296,792	150,819
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	95,987	57,712	(444,886)	(912,844)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	160,683	72,518	6,735	(744,185)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,797,884	1,725,366	1,807,672	2,551,857
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,958,567	\$ 1,797,884	\$ 1,814,407	\$ 1,807,672
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating (loss) income	\$ (1,412,636)	\$ (1,300,585)	\$ 443,725	\$ 211,158
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:				
Depreciation	19,436	37,249	-	-
Donated commodities	224,434	168,885	-	-
(Increase) Decrease in:				
Other receivables	(13,873)	447	-	-
Due from other funds	(328)	-	-	-
Inventories	24,226	6,433	-	-
Deferred outflows of resources - OPEB	8,123	8,805	-	-
Deferred outflows of resources - pension	(44,057)	21,598	-	-
Increase (Decrease) in:				
Accounts payable	(80,807)	(255,276)	10,142	(44,745)
Due to other funds	-	-	(2,246)	2,246
Compensated absences	457	483	-	-
Net OPEB liability	(1,420)	(17,630)	-	-
Net pension liability	29,530	74,159	-	-
Deferred inflows of resources - OPEB	(12,489)	5,038	-	-
Deferred inflows of resources - pension	(4,490)	(134,940)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (1,263,894)	\$ (1,385,334)	\$ 451,621	\$ 168,659
SUPPLEMENTAL DISCLOSURE				
NONCASH NONCAPITAL FINANCING ACTIVITY:				
USDA donated commodities	\$ 224,434	\$ 166,885	\$ -	\$ -

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2024 AND 2023**

	<u>Private Purpose Trust</u>		<u>Custodial Fund</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
ASSETS				
Cash	<u>\$ 213,455</u>	<u>\$ 235,280</u>	<u>\$ 106,113</u>	<u>\$ 79,845</u>
TOTAL ASSETS	<u><u>\$ 213,455</u></u>	<u><u>\$ 235,280</u></u>	<u><u>\$ 106,113</u></u>	<u><u>\$ 79,845</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION:				
Reserved for trust	<u>213,455</u>	<u>235,280</u>	<u>106,113</u>	<u>79,845</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 213,455</u></u>	<u><u>\$ 235,280</u></u>	<u><u>\$ 106,113</u></u>	<u><u>\$ 79,845</u></u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	Private Purpose Trust		Custodial Fund	
	2024	2023	2024	2023
ADDITIONS				
Local contributions	\$ 41,900	\$ 96,263	\$ 120,494	\$ 111,489
Earnings on investments	4,923	988	2,267	270
TOTAL ADDITIONS	<u>46,823</u>	<u>97,251</u>	<u>122,761</u>	<u>111,759</u>
DEDUCTIONS				
Fees paid and scholarships awarded	<u>68,648</u>	<u>42,850</u>	<u>96,493</u>	<u>112,838</u>
TOTAL DEDUCTIONS	<u>68,648</u>	<u>42,850</u>	<u>96,493</u>	<u>112,838</u>
CHANGE IN NET POSITION	(21,825)	54,401	26,268	(1,079)
NET POSITION, BEGINNING OF YEAR	<u>235,280</u>	<u>180,879</u>	<u>79,845</u>	<u>80,924</u>
NET POSITION, END OF YEAR	<u>\$ 213,455</u>	<u>\$ 235,280</u>	<u>\$ 106,113</u>	<u>\$ 79,845</u>

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

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

The District is governed by a Board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person residing in such District between the ages of six and twenty-one years who may attend.

The Superintendent is the chief administrative officer and chief instructional officer of the Board and the District, and is responsible for the execution of all actions of the Board. Subject to the policies and direction of the Board, the Superintendent is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction. The Superintendent manages the District with the assistance of the Assistant Superintendent for Curriculum and Instruction, Director of Business Administration, Director of Special Education, Director of Personnel, Director of Construction and Facilities, and the building principals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

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

Reporting Entity

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

Fund Accounting

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

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

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

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

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

Basis of Presentation

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

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

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

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and accumulated depreciation is reported on the statement of net position.

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

Budgetary Information

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

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

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

Receivables/Payables

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

Cash and Cash Equivalents and Investments

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

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Inventories

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

Inventories of the food service fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their 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 purchased food/supplies for use in the food program in the amount of \$87,205.

Capital Assets

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

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

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

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

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences

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

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

Long-term Obligations

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

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

Deferred Inflows and Deferred Outflows of Resources

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Balances

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

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

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

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

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

Comparative Data

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which the summarized information was derived. Certain amounts presented in the prior year summarized data have been restated consistent with implementation of new standards, as described below.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

- Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law therefore, shall be pledged by the depository.
- Commercial paper, bankers' acceptances, and negotiable certificates of deposit receiving top ratings from at least two nationally recognized statistical ratings organizations.

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

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

Cash and cash equivalents	\$ 11,688,706
Investments	<u>110,576,672</u>
Total Cash and Investments	<u>\$ 122,265,378</u>

Deposits

At year end, the carrying amount of the District's deposits was \$11,688,706, and the bank balance was \$12,388,297. Of the bank balance of \$250,000 was covered by federal depository insurance and \$436,382 was collateralized under Pennsylvania Act 72, where financial institutions pledge collateral on a pooled

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

basis to secure public deposits in excess of the FDIC insurance limits. The remaining \$11,701,915 was cash equivalents held with the Pennsylvania School District Liquid Asset Fund (PSDLAF), which enables governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

Investments

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

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

	<u>Fair Value</u>
Pennsylvania School District Liquid Asset Trust (PSDLAF)	<u>\$110,576,672</u>
Total Investments	<u>\$110,576,672</u>

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

Of the investments, \$25,197,129 is invested in FDIC-insured non-negotiable certificates of deposit with maturities of less than one year. Additionally, the School has \$2,236,722 invested in treasury notes from the United States government. The remaining \$83,142,821 is invested in 2a7-like pools. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees. PSDLAF is administered by PMA Financial Network, Inc., and the pool is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm.

Interest Rate Risk

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

Credit Risk

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

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2024, all of the District's investments are in PSDLAF.

Custodial Credit Risk

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

NOTE 4 – REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE

Real estate taxes for the District are collected by the District. The assessed values are established by the County Board of Assessment. The District tax rate for the year ended June 30, 2024 was 32.73 mills (\$32.73 per \$1,000 of assessed valuation) as levied by the District Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

- July 1 - Levy date
- July 1 - August 31 - 2% discount period
- September 1 - October 31 - Face payment period
- November 1 - December 15 - 10% penalty period
- December 15 - Lien date

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration.

The allowance as of June 30, 2024 was \$19,480. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

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

The deferred inflow of resources balance in the general fund of \$1,176,096 consists of unavailable real estate taxes.

NOTE 5 – INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2024 is as follows:

<u>Due To</u>	<u>Amount</u>	<u>Due From</u>	<u>Amount</u>
Capital Reserve Fund	<u>\$ 6,220,088</u>	General Fund	<u>\$ 6,220,088</u>
Food Service Fund	<u>\$ 328</u>	General Fund	<u>\$ 328</u>

<u>Transfer To</u>	<u>Amount</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Reserve Fund	<u>\$ 6,220,088</u>	General Fund	<u>\$ 6,220,088</u>

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

NOTE 6 – UNEARNED REVENUES

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

NOTE 7 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

Governmental Activities	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclass</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:					
Land	\$ 3,060,599	\$ -	\$ -	\$ -	\$ 3,060,599
Construction-in-progress	7,915,968	578,857	-	(5,994,757)	2,500,068
Total Capital Assets Not Being					
Depreciated/Amortized	<u>10,976,567</u>	<u>578,857</u>	<u>-</u>	<u>(5,994,757)</u>	<u>5,560,667</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 7 – CHANGES IN CAPITAL ASSETS - continued

Governmental Activities	Beginning Balance	Increase	Decrease	Reclass	Ending Balance
Capital assets being depreciated/ amortized:					
Buildings and improvements	147,755,840	-	-	5,994,757	153,750,597
Right to use lease asset	234,241	261,921	-	-	496,162
Right to use subscription asset	178,459	-	-	-	178,459
Furniture, vehicles, and equipment	8,112,189	179,335	(669,943)	-	7,621,581
Total Capital Assets Being Depreciated/Amortized	<u>156,280,729</u>	<u>441,256</u>	<u>(669,943)</u>	<u>5,994,757</u>	<u>162,046,799</u>
Less accumulated depreciation/ amortization for:					
Buildings and improvements	67,014,562	3,371,565	-	-	70,386,127
Right to use lease asset	175,681	62,717	-	-	238,398
Right to use subscription asset	36,117	25,494	-	-	61,611
Furniture, vehicles, and equipment	6,229,490	289,425	(664,570)	-	5,854,345
Total Accumulated Depreciation/ Amortization	<u>73,455,850</u>	<u>3,749,201</u>	<u>(664,570)</u>	<u>-</u>	<u>76,540,481</u>
Total Capital Assets Being Depreciated/ Amortized, Net	<u>82,824,879</u>	<u>(3,307,945)</u>	<u>(5,373)</u>	<u>5,994,757</u>	<u>85,506,318</u>
Governmental Activities Assets, Net	<u>\$ 93,801,446</u>	<u>\$ (2,729,088)</u>	<u>\$ (5,373)</u>	<u>\$ -</u>	<u>\$ 91,066,985</u>
Business-type Activities					
Capital assets not being depreciated:					
Equipment	\$ 1,509,285	\$ 39,600	\$ (736,583)	\$ -	\$ 812,302
Less accumulated depreciation for:					
Equipment	<u>895,859</u>	<u>19,436</u>	<u>(271,140)</u>	<u>-</u>	<u>644,155</u>
Business-type Activities Capital Assets, Net	<u>\$ 613,426</u>	<u>\$ 20,164</u>	<u>\$ (465,443)</u>	<u>\$ -</u>	<u>\$ 168,147</u>

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

Governmental Activities:	
Instruction	\$ 1,499,686
Administrative and financial support	392,492
Operation and maintenance of plant services	732,264
Unallocated depreciation/amortization	<u>1,124,759</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 3,749,201</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 7 – CHANGES IN CAPITAL ASSETS - continued

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

Business-type Activities:	
Food Service	\$ 19,436
Total Depreciation Expense - Business-type Activities	<u>\$ 19,436</u>

NOTE 8 – LONG-TERM LIABILITIES

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

General Obligation Bonds - Series of 2018 and 2018A

Series of 2018 and 2018A, maturing through October 1, 2026, bears interest ranging from 2.00% to 5.00%. Interest is payable semi-annually on April 1 and October 1. The Series of 2018 provided funds to refund the Series of 2006 and 2011 bonds. \$ 6,055,000

General Obligation Bonds - Series of 2020

Series of 2020, maturing through November 15, 2025, bears interest 1.04%. Interest is payable semi-annually on May 15 and November 15. The Series of 2020 provided funds to refund the Series of 2015 and Series of 2016 bonds. 5,786,000

General Obligation Bonds - Series of 2022

Series of 2022, maturing through November 15, 2053, bears interest ranging from 3.25% to 4.5%. Interest is payable semi-annually on February 15 and August 15. The Series of 2022 provided funds for upcoming capital projects. 9,990,000

General Obligation Bonds - Series of 2023

Series of 2023, maturing through November 15, 2045, bears interest ranging from 3.375% to 5.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2023 provided funds for upcoming capital projects. 9,995,000

General Obligation Bonds - Series of 2024

Series of 2024, maturing through November 15, 2051, bears interest 5.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2024 provided funds for upcoming capital projects. 46,625,000

Total Bonds Payable \$ 78,451,000

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

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2025	\$ 7,020,000	\$ 2,915,488	\$ 9,935,488
2026	4,236,000	3,290,659	7,526,659

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 8 – LONG-TERM LIABILITIES - continued

(cont'd) Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2027	1,525,000	3,247,419	4,772,419
2028	1,570,000	3,192,356	4,762,356
2029	1,645,000	3,116,156	4,761,156
2030-2034	9,390,000	14,416,930	23,806,930
2035-2039	11,905,000	11,902,030	23,807,030
2040-2044	15,115,000	8,691,112	23,806,112
2045-2049	17,655,000	4,705,663	22,360,663
2050-2053	8,390,000	662,000	9,052,300
	<u>\$ 78,451,000</u>	<u>\$ 56,140,113</u>	<u>\$ 134,591,113</u>

Changes in Long-term Liabilities

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

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Governmental Activities					
Bonds payable	\$ 28,538,000	\$ 56,620,000	\$ 6,707,000	\$ 78,451,000	\$ 7,020,000
Bond premiums	532,985	4,383,611	418,252	4,498,344	297,884
Bond discount	(194,170)	-	(6,695)	(187,475)	(6,695)
Net bonds payable	28,876,815	61,003,611	7,118,557	82,761,869	7,311,189
Other liabilities:					
Lease payable	63,465	261,921	66,778	258,608	41,635
Subscription payable	152,745	-	17,410	135,335	20,617
Compensated absences	981,006	164,984	-	1,145,990	252,300
Net pension liability	98,592,121	2,923,470	-	101,515,591	-
Net OPEB liability	15,914,250	-	140,580	15,773,670	-
Total Governmental Long-term Liabilities	<u>\$ 144,580,402</u>	<u>\$ 64,353,986</u>	<u>\$ 7,343,325</u>	<u>\$ 201,591,063</u>	<u>\$ 7,625,741</u>
Business-type Activities					
Compensated absences	\$ 14,931	\$ 457	\$ -	\$ 15,388	\$ 7,492
Net pension liability	995,879	29,530	-	1,025,409	-
Net OPEB liability	160,750	-	1,420	159,330	-
Total Business-type Long-term Liabilities	<u>\$ 1,171,560</u>	<u>\$ 29,987</u>	<u>\$ 1,420</u>	<u>\$ 1,200,127</u>	<u>\$ 7,492</u>

Governmental activities long-term liabilities are liquidated by the general fund, and business-type activities long-term liabilities are liquidated by the food service fund. Total interest expense during the year ended June 30, 2024 was \$882,230.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 8 – LONG-TERM LIABILITIES - continued

Leasing Arrangements

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

At June 30, 2024, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 41,635	\$ 20,384	\$ 62,019
2026	45,315	16,704	62,019
2027	49,321	12,698	62,019
2028	53,681	8,338	62,019
2029	58,427	3,592	62,019
2030	10,229	108	10,337
Total	<u>\$ 258,608</u>	<u>\$ 61,824</u>	<u>\$ 320,432</u>

Subscription Based IT Arrangements

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

At June 30, 2024, the minimum future rental payments under the subscription arrangement for the remaining period and in the aggregate are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 20,617	\$ 367	\$ 20,984
2026	23,833	311	24,144
2027	27,058	246	27,304
2028	30,292	173	30,465
2029	33,535	90	33,625
Total	<u>\$ 135,335</u>	<u>\$ 1,187</u>	<u>\$ 136,522</u>

NOTE 9 – EMPLOYEE RETIREMENT PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the District year, and part-time per diem public school employees who render at least 80 days of service in the District year in any of the reporting entities in Pennsylvania. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. PSERS issues a publicly available annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

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

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

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Member Contributions

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

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

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

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

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, the rate of the employer contribution was 34.00 percent of covered payroll, which was comprised of 33.09 percent for pension contributions, 0.27 percent for Act 5 defined contribution plan contributions, and 0.64 percent for healthcare contributions. The District's contribution to PSERS for pension contributions for the year ended June 30, 2024 was \$11,945,778.

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

At June 30, 2024, the District reported a liability of \$102,541,000 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 covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.2304 percent, an increase of 0.0064 percent from June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$9,924,732. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 2,901,000	\$ -
Difference between expected and actual experience	23,000	1,404,000
Change in assumptions	1,530,000	-
Change in proportionate share of net pension liability	2,157,000	115,000
Difference between employer contributions and proportionate share of total contributions	-	1,089,979
Contributions subsequent to the date of measurement	<u>11,945,778</u>	<u>-</u>
	<u>\$ 18,556,778</u>	<u>\$ 2,608,979</u>

An amount of \$11,945,778 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources relating to pensions and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2025	\$ 1,427,794
2026	(1,637,325)
2027	3,527,039
2028	<u>684,513</u>
	<u>\$ 4,002,021</u>

Actuarial Assumptions

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

- Valuation date – June 30, 2022
- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.00 percent, includes inflation of 2.50 percent
- Salary growth – effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 percent for real wage growth and for merit and seniority increases
- Mortality rates were based on a blend of 50 percent PubT-2010 and 50 percent PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and as of June 30, 2023
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00 percent to 4.50 percent
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75 percent and 2.25 percent to 2.50 percent and 2.00 percent, respectively.
 - Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50 percent PubT-2010 and 50 percent PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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>	

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

The above was the PSERS Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate

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

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

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

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
District’s proportionate share of the net pension liability	\$132,922,000	\$102,541,000	\$ 76,909,000

Pension Plan Fiduciary Net Position

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

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District’s retired employees are allowed to continue coverage for themselves and their dependents in the employer’s group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2024, the District paid \$712,000 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2024. The total OPEB liability as of June 30, 2024 was determined by rolling forward the plan’s total OPEB liability as of the July 1, 2023 actuarial valuation to the June 30, 2024 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 3.93 percent for the measurement date of June 30, 2023, an increase from the discount rate of 3.65 percent used for the June 30, 2022 measurement date.

Health Cost Trend

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

<u>Fiscal Year Ending June 30</u>	<u>Increase in Health Cost Over Prior Year</u>
2024	6.30%
2025	6.70%
2026	6.50%
2027	5.90%
2028	5.30%
2033	4.20%
2038	4.10%
2043	4.10%
2053	4.10%
2075 and later	3.70%

The Society of Actuaries (SOA) Long-Run Medical Cost Trend Model was used to develop the medical trend schedule used in projecting per capita claim costs and premiums for this report. The model’s projections are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

guidance of an SOA Project Oversight Group and have been modified slightly to reflect the District’s actuary’s expectations for long-term inflation. In addition, the estimated impact of the excise tax due to healthcare reform is incorporated through an adjustment to the healthcare trend assumption.

Dental and vision costs are assumed to equal premium rates.

Census Data

As of July 1, 2022, the plan consisted of 444 active participants and 35 retired participants receiving benefits.

Mortality Rates

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

Medicare Participation

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

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.93 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
Total OPEB liability	\$ 12,756,000	\$ 11,765,000	\$ 10,851,000
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 12,756,000</u>	<u>\$ 11,765,000</u>	<u>\$ 10,851,000</u>

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 10,726,000	\$ 11,765,000	\$ 12,976,000
Fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 10,726,000</u>	<u>\$ 11,765,000</u>	<u>\$ 12,976,000</u>

Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2023	\$ 11,952,000
Service cost	348,000
Interest on OPEB designation	423,000
Effect of assumption changes or inputs	(246,000)
Benefit payments	<u>(712,000)</u>
Total OPEB liability as of June 30, 2024	<u>\$ 11,765,000</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$162,000 for the year ended June 30, 2024. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 990,000	\$ 3,734,000
Difference between actual and expected experience	<u>1,620,000</u>	<u>210,000</u>
	<u>\$ 2,610,000</u>	<u>\$ 3,944,000</u>

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

<u>Year Ending June 30,</u>	
2025	\$ (606,000)
2026	(554,000)
2027	338,000
2028	158,000
2029	(306,000)
Thereafter	<u>(364,000)</u>
	<u>\$ (1,334,000)</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

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

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the premium assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, and
- Have 15 or more years of service and retired after reaching superannuation age.

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

- Attain Medicare eligibility with 24½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

OPEB Plan Description

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

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,

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

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

eligible retirees must obtain their health insurance through either their school employer or the PSERS’ Health Options Program. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts’ contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.64 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$231,046 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$4,168,000 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, 2023, the District’s proportion was 0.2304 percent, which was an increase of .0064 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the District recognized OPEB expense of \$163,900. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 9,000	\$ -
Change in proportionate share of net pension liability	132,000	34,000
Difference between expected and actual experience	27,000	41,000
Change in assumptions	360,000	789,000
Difference between employer contributions and proportionate share of total contributions	-	11,121
Contributions subsequent to the date of measurement	<u>231,046</u>	<u>-</u>
	<u>\$ 759,046</u>	<u>\$ 875,121</u>

An amount of \$231,046 is reported as deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

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

liability in the year ended June 30, 2025. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources relating to pensions and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2025	\$ (61,716)
2026	(80,141)
2027	(98,600)
2028	(113,353)
2029	7,432
Thereafter	<u>(743)</u>
	<u>\$ (347,121)</u>

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 cost method – entry age normal – level percent of pay
- Investment return – 4.13 percent – S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent.
 - Eligible retirees will elect to participate post-age 65 at 70 percent.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

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

- Participation rate – 63 percent of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 percent, an increase from 4.09 percent in the prior year. Under the plan’s funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 4.13 percent, 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.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

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

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 system’s net OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what the system’s net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District’s proportionate share of the net OPEB liability	\$ 4,168,000	\$ 4,168,000	\$ 4,169,000

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

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

	<u>1% Decrease 3.13%</u>	<u>Current Discount Rate 4.13%</u>	<u>1% Increase 5.13%</u>
District’s proportionate share of the net OPEB liability	\$ 4,713,000	\$ 4,168,000	\$ 3,713,000

OPEB Plan Fiduciary Net Position

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

NOTE 12 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

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

	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District Plan (See Note 10)	\$ 11,765,000	\$ 2,610,000	\$ 3,944,000
PSERS Plan (See Note 11)	<u>4,168,000</u>	<u>759,045</u>	<u>875,121</u>
Total	<u>\$ 15,933,000</u>	<u>\$ 3,369,045</u>	<u>\$ 4,819,121</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 13 – FUND BALANCES

As of June 30, 2024, fund balances are composed of the following:

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
Restricted:				
Capital projects	\$ -	\$ 62,509,107	\$ 29,968,407	\$ 92,477,514
Nonspendable (prepaid expenditures)	10,105	-	-	10,105
Committed for future expenditures	2,050,000	-	-	2,050,000
Unassigned	7,780,598	-	-	7,780,598
Total Fund Balances	<u>\$ 9,840,703</u>	<u>\$ 62,509,107</u>	<u>\$ 29,968,407</u>	<u>\$ 102,318,217</u>

NOTE 14 – CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Construction-in-progress

As of June 30, 2024, the District had ongoing construction projects yet to be completed. The commitments and amounts completed to date are as follows:

	Project Amount	Completed as of 06/30/2024	Commitments
Greenwood Elementary	\$ 1,886,451	\$ 1,210,574	\$ 675,877
New Garden Elementary	6,603,474	1,289,494	5,314,000
Totals	<u>\$ 8,489,925</u>	<u>\$ 2,500,068</u>	<u>\$ 5,989,877</u>

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2024

NOTE 15 – RISK MANAGEMENT - continued

commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2023 - 2024 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 – DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$87,480,941, respectively, include the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from the change in the District's share of the net pension and OPEB liabilities. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings and changes in assumptions.

NOTE 17 – SUBSEQUENT EVENTS

The District has evaluated all subsequent events through October 30, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	MEASUREMENT DATE									
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.2304%	0.2240%	0.2245%	0.2245%	0.2273%	0.2246%	0.2235%	0.2225%	0.2175%	0.2204%
District's proportion of the net pension liability - dollar value	\$ 102,541,000	\$ 99,588,000	\$ 92,172,000	\$ 110,542,000	\$ 106,337,000	\$ 107,819,000	\$ 110,383,000	\$ 110,264,000	\$ 94,210,000	\$ 87,236,000
District's covered employee payroll	\$ 31,886,118	\$ 32,986,290	\$ 31,695,485	\$ 31,793,279	\$ 31,269,723	\$ 30,382,999	\$ 29,881,260	\$ 28,934,868	\$ 28,164,151	\$ 28,122,261
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	321.59%	301.91%	290.80%	347.69%	340.06%	354.87%	369.41%	381.08%	334.50%	310.20%
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%

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 11,945,778	\$ 10,940,127	\$ 11,212,040	\$ 10,621,157	\$ 10,606,238	\$ 10,193,930	\$ 9,643,564	\$ 8,725,328	\$ 7,233,717	\$ 5,773,651
Contributions in relation to the contractually required contribution	<u>11,945,778</u>	<u>10,940,127</u>	<u>11,212,040</u>	<u>10,621,157</u>	<u>10,606,238</u>	<u>10,193,930</u>	<u>9,643,564</u>	<u>8,725,328</u>	<u>7,233,717</u>	<u>5,773,651</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 employee payroll	\$ 36,100,870	\$ 31,886,118	\$ 32,986,290	\$ 31,695,485	\$ 31,793,279	\$ 31,269,723	\$ 30,382,999	\$ 29,881,260	\$ 28,934,868	\$ 28,164,151
Contributions as a percentage of covered employee payroll	33.09%	34.31%	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

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

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

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

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

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

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

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

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

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

SINGLE AUDIT SECTION



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

October 30, 2024

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

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

Report on Internal Control Over Financial Reporting

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

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

Members of the Board
Kennett Consolidated School District

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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



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

October 30, 2024

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

Report on Compliance for Major Federal Program

Opinion on Each Major Federal Program

We have audited the Kennett Consolidated School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the District compiled, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal program 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

Members of the Board
Kennett Consolidated School District

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Members of the Board
Kennett Consolidated School District

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

Report on Internal Control Over Compliance

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

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

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

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

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Grantor Project Title	SOURCE CODE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 6/30/2023	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2024	PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Education											
<u>Passed through Pennsylvania Department of Education</u>											
Title I - Grants to Local Education Agencies	I	84.010	013-23-0210	08/31/22-09/30/23	548,685	\$ 274,957	\$ 87,065	\$ 187,891	\$ 187,891	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-24-0210	08/31/23-09/30/24	725,588	362,978	-	492,128	492,128	129,150	-
Total ALN 84.010						637,935	87,065	680,019	680,019	129,150	-
Title II - Improving Teacher Quality	I	84.367	020-23-0210	08/31/22-09/30/23	94,437	843	843	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-24-0210	08/31/23-09/30/24	114,931	82,021	-	113,816	113,816	31,796	-
Total ALN 84.367						82,864	843	113,816	113,816	31,796	-
Title III - Language Inst LEP	I	84.365	010-23-0210	08/31/22-09/30/23	124,304	48,942	29,923	19,019	19,019	-	-
Title III - Language Inst LEP	I	84.365	010-24-0210	08/31/23-09/30/24	116,044	82,889	-	90,706	90,706	7,818	-
Total ALN 84.365						131,830	29,923	109,725	109,725	7,818	-
Title IV-Student Support and Academic Enrichment	I	84.424	144-23-0210	08/31/22-09/30/23	45,386	9,826	9,826	-	-	-	-
Title IV-Student Support and Academic Enrichment	I	84.424	144-24-0210	08/31/23-09/30/24	42,954	30,681	-	25,783	25,783	(4,899)	-
Total ALN 84.424						40,507	9,826	25,783	25,783	(4,899)	-
Elementary and Secondary School Emergency Relief Fund II	I	84.425D	200-21-0210	03/13/20-09/30/23	2,371,355	165,443	165,443	-	-	-	-
Elementary and Secondary School Emergency Relief Fund III	I	84.425U	223-21-0210	03/13/20-09/30/24	4,796,565	2,877,859	565,335	2,325,928	2,325,928	13,404	-
Elementary and Secondary School Emergency Relief Fund 7%	I	84.425U	225-21-0210	03/13/20-09/30/24	372,801	257,572	(23,765)	281,337	281,337	-	-
Total ALN 84.425						3,300,874	707,013	2,607,265	2,607,265	13,404	-
<u>Subgrant from U.S. Department of Education</u>											
<u>Passed through Chester County Intermediate Unit</u>											
I.D.E.A. Part B	I	84.027	062-23-0024	07/01/22-09/30/23	465,331	217,154	217,154	-	-	-	-
I.D.E.A. Part B	I	84.027	062-24-0024	07/01/23-06/30/24	479,169	384,652	-	479,169	479,169	94,517	-
Total ALN 84.027						601,806	217,154	479,169	479,169	94,517	-
I.D.E.A. Part B 619	I	84.173	131-24-0024B	07/01/23-09/30/24	1,416	1,416	-	1,416	1,416	-	-
Total ALN 84.173						1,416	-	1,416	1,416	-	-
Total Special Education Cluster						603,222	217,154	480,585	480,585	94,517	-
Total U.S. Department of Education						4,797,232	1,051,824	4,017,193	4,017,193	271,785	-
U.S. Department of Agriculture											
<u>Passed through Pennsylvania Department of Agriculture</u>											
Value of U.S.D.A. Donated Commodities	I	10.555	N/A	09/01/23-06/30/24	N/A	224,434	-	224,434	224,434	-	-
<u>Passed through Pennsylvania Department of Education</u>											
Supply Chain Assistance	I	10.555	N/A	09/01/23-06/30/24	N/A	94,026	-	94,026	94,026	-	-
National School Lunch Program	I	10.555	N/A	09/01/23-06/30/24	N/A	845,698	-	859,173	859,173	13,475	-
Total ALN 10.555						1,164,158	-	1,177,633	1,177,633	13,475	-

Continued on next page.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-through Grantor Project Title (cont'd)	SOURCE CODE	FEDERAL ALN	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 6/30/2023	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2024	PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	09/01/23-06/30/24	N/A	172,605	-	172,605	172,605	-	-
Total ALN 10.553						172,605	-	172,605	172,605	-	-
Total Child Nutrition Cluster						1,561,197	-	1,574,672	1,574,672	13,475	-
Pandemic EBT Administrative Costs	I	10.649	N/A	09/01/23-06/30/24	N/A	3,256	-	3,256	3,256	-	-
Total U.S. Department of Agriculture						1,564,453	-	1,577,928	1,577,928	13,475	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Health and Human Services											
Medical Assistance Program	I	93.778	N/A	07/01/22-06/30/23	18,481	8,836	8,836	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/23-06/30/24	23,226	-	-	23,226	23,226	23,226	-
Total ALN 93.778						8,836	8,836	23,226	23,226	23,226	-
Total U.S. Department of Health and Human Services						8,836	8,836	23,226	23,226	23,226	-
TOTAL FEDERAL AWARDS						\$ 6,370,521	\$ 1,060,660	\$ 5,618,347	\$ 5,618,347	\$ 308,486	\$ -

Source Codes:

D = Direct Funding
I = Indirect Funding

KENNETT CONSOLIDATED SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under ALN #10.555, National School Lunch Program, include surplus food consumed by the District during the 2023 - 2024 fiscal year.

NOTE D INDIRECT COST RATE

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

NOTE E ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2024 was \$127,468.

NOTE F PRIOR YEAR OVER-ACCRUAL OF ESSER FUNDING

During the year ended June 30, 2023, the District accrued funds of \$23,765 that were reported as a part of the ESSER 7% Set-Aside program. During the year ended June 30, 2024, the District determined that these expenditures were paid by ESSER III funds. June 30, 2023 accruals have been adjusted to reflect this change.

KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

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

Unmodified

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

 Yes X No

Identification of major programs:

Assistance Listing Numbers

Name of Federal Program or Cluster

84.425D, 84.425U

Elementary and Secondary School Emergency Relief Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

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

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

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