

HAZLETON AREA SCHOOL DISTRICT

Hazle Township, Pennsylvania

Financial and Single Audit Reports

For the Year Ended June 30, 2025

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SINGLE AUDIT

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Independent Auditor's Report

Board of School Directors
Hazleton Area School District
Hazle Township, 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 Hazleton Area School District (the "District"), as of and for the year ended June 30, 2025 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, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 one year after the date that the financial statements are issued.

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 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, 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.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, comprised of the individual fund statements, and 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, 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.

Klaacik & Associates PC
Shamokin, Pennsylvania
December 12, 2025

HAZLETON AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Hazleton Area School District (the "School District") for the year ended June 30, 2025, compared to June 30, 2024. The School District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the School District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the School District's financial performance.

INTRODUCTION

The Hazleton Area School District is a school district of the second class organized under the laws of the Commonwealth of Pennsylvania. It operates a public school system for residents in Luzerne, Carbon and Schuylkill Counties.

The accounting policies of the Hazleton Area School District conform to generally accepted accounting principles as applicable to governmental units as provided by Governmental Accounting Standards Board. The basic financial statements of the School District are composed of district-wide financial statements, fund financial statements, and notes to the financial statements. The district-wide financial statements are prepared on an accrual basis of accounting under which all revenues and costs of providing services are reported for all activities of the School District. The district-wide statements are prepared on an economic resources measurement focus which includes all the School District's resources, capital and financial, current and long-term. The two statements included in district-wide reporting are the Statement of Net Position and the Statement of Activities. The Statement of Net Position is used to report all the School District's assets and liabilities. The Statement of Activities is used to report all changes in net assets. Both financial statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are reported as enterprise funds.

The fund financial statements provide a more detailed look at specific activities or groups of activities as compared to the district-wide statements. The fund financial statements are presented on a modified accrual basis, whereas governmental activities in the district-wide financial statements are presented on an accrual basis of accounting. The fund financial statements are divided into governmental funds, proprietary funds and fiduciary fund statements. Major fund presentation is required for governmental and enterprise funds. The School District reports each major fund in a separate column on the fund financial statements. The major funds for governmental activities are the General Fund, Student Sponsored Activities Fund and Capital Project Fund. The major fund for the proprietary funds is the Food Service Fund.

DISTRICT-WIDE FINANCIAL ANALYSIS

The following charts show a two-year comparison of the Condensed Statement of Net Position, Condensed Statement of Activities, Capital Assets-Net of Depreciation, and Outstanding Long-Term Debt for both governmental activities and business-type activities:

HAZLETON AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

CONDENSED STATEMENT OF NET POSITION

	Governmental			Business-Type		
	Activities		Increase (Decrease)	Activities		Increase (Decrease)
	2025	2024		2025	2024	
Current Assets	\$ 128,608,218	\$ 98,003,060	\$ 30,605,158	\$ 4,831,575	\$ 4,207,090	\$ 624,485
Noncurrent Assets	161,866,943	153,156,630	8,710,313	2,268,525	1,359,830	908,695
Total Assets	290,475,161	251,159,690	39,315,471	7,100,100	5,566,920	1,533,180
Deferred Outflows	46,324,000	48,946,000	(2,622,000)	1,407,676	1,488,676	(81,000)
Long-Term Debt Outstanding	340,495,538	349,540,739	(9,045,201)	7,630,000	7,863,000	(233,000)
Other Liabilities	39,122,337	38,661,613	460,724	230,378	211,518	18,860
Total Liabilities	379,617,875	388,202,352	(8,584,477)	7,860,378	8,074,518	(214,140)
Deferred Inflows	8,843,000	10,489,000	(1,646,000)	315,961	367,000	(51,039)
Net Position:						
Invested in Capital Assets, Net of Related Debt	92,340,981	62,722,529	29,618,452	2,268,525	1,359,830	908,695
Restricted	24,450,901	5,536,030	18,914,871	-	-	-
Unrestricted	(168,453,596)	(166,844,221)	(1,609,375)	(1,937,088)	(2,745,752)	808,664
Total Net Position	\$ (51,661,714)	\$ (98,585,662)	\$ 46,923,948	\$ 331,437	\$ (1,385,922)	\$ 1,717,359

HAZLETON AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

CONDENSED STATEMENT OF ACTIVITIES

	Governmental			Business-Type		
	Activities		Increase (Decrease)	Activities		Increase (Decrease)
	2025	2024		2025	2024	
REVENUES:						
Program Revenues:						
Charges for services	\$ 468,621	\$ 673,161	\$ (204,540)	\$ 412,963	\$ 453,231	\$ (40,268)
Operating and capital grants and contributions	90,846,760	76,963,082	13,883,678	10,770,012	10,748,633	21,379
General Revenues:						
Property taxes	69,174,163	62,846,668	6,327,495	-	-	-
State formula aide	70,984,597	68,221,439	2,763,158	-	-	-
Other	25,390,135	23,476,761	1,913,374	100,866	64,136	36,730
TOTAL REVENUES:	256,864,276	232,181,111	24,683,165	11,283,841	11,266,000	17,841
EXPENSES:						
Instruction	134,786,700	127,212,985	7,573,715	-	-	-
Instructional student support	11,458,993	10,494,479	964,514	-	-	-
Administration and business	18,547,707	16,356,184	2,191,523	-	-	-
Maintenance and operations	12,515,750	11,879,674	636,076	-	-	-
Transportation	12,037,964	9,131,275	2,906,689	-	-	-
Other	20,593,214	19,034,306	1,558,908	9,566,482	9,631,503	(65,021)
TOTAL EXPENSES:	209,940,328	194,108,903	15,831,425	9,566,482	9,631,503	(65,021)
CHANGE IN NET POSITION	46,923,948	38,072,208	8,851,740	1,717,359	1,634,497	82,862
NET POSITION BEGINNING	(98,585,662)	(136,657,870)	38,072,208	(1,385,922)	(3,020,419)	1,634,497
NET POSITION ENDING	\$ (51,661,714)	\$ (98,585,662)	\$ 46,923,948	\$ 331,437	\$ (1,385,922)	\$ 1,717,359

CAPITAL ASSETS AT JUNE 30, (NET OF ACCUMULATED DEPRECIATION)

	2025	2024
Land and improvements	\$ 19,947,003	\$ 12,485,543
Buildings and building improvements	122,457,465	116,921,753
Furniture and equipment	8,213,622	8,049,304
Construction-in-progress	11,248,853	15,700,030
Total	\$ 161,866,943	\$ 153,156,630

HAZLETON AREA SCHOOL DISTRICT
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OUTSTANDING LONG-TERM DEBT

	Balance			Balance
	June 30, 2024	Additions	Reductions	June 30, 2025
General Obligation Bonds, Net	\$ 95,931,443	\$ 10,222,607	\$ (12,274,165)	\$ 93,879,885
Net Pension Liability	229,716,000	-	(7,712,000)	222,004,000
Compensated Absences	6,991,014	1,912,992	(1,213,166)	7,690,840
OPEB Obligation	16,389,000	196,000	-	16,585,000
Lease Liability	513,283	-	(177,470)	335,813
Total Long-Term Liability	<u>\$ 349,540,740</u>	<u>\$ 12,331,599</u>	<u>\$ (21,376,801)</u>	<u>\$ 340,495,538</u>

Analysis of these charts indicates that the total net position for governmental activities increased by \$38,072,208. Revenues exceeded expenses mainly due to additional State and Local funding, depreciation, debt service, compensated absences, and the net difference between projected and actual investment earning of the PSERS retirement plan.

Business-type activities resulted in a \$1,634,497 increase in total net position. Revenues exceeded expenses by this amount mainly due to the federal and state reimbursements for meals served, as well as the strength of the School District wide CEP program.

The cost of health benefits remains one of the School Districts largest expenditures. During the 2024-2025 fiscal year, the School District spent approximately \$19,845,000 net on health benefits which was approximately \$1,203,000 less than budget.

The chart showing capital assets (net of depreciation) indicates an increase in capital assets. This increase was the result of current depreciation expense of \$8,882,888 offset by net capital outlays of \$22,044,378, mainly due to ESCO projects and various field projects.

General obligation bonds, net, decreased overall. The School District made debt payments of \$12,025,000 on its General Obligation Bonds and recognized accretion of \$215,108. The School District also borrowed \$9,995,000 to fund the third phase of the ESCO project.

Net pension liability decreased due to the net difference between projected and actual investment earning, offset by the changes in plan assumptions.

FUND FINANCIAL ANALYSIS

The following data shows the changes in General Fund balance for the past ten years and compares the changes in the Condensed Budget vs. Actual General Fund:

HAZLETON AREA SCHOOL DISTRICT
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

CHANGES IN GENERAL FUND BALANCE

School Year	General Fund Balance	Percent of Budgeted Expenditures
2024-2025	\$ 65,460,670	26.7%
2023-2024	54,033,572	24.0%
2022-2023	37,737,005	17.9%
2021-2022	28,166,728	15.0%
2020-2021	22,272,421	13.4%
2019-2020	14,802,653	9.1%
2018-2019	11,073,136	7.1%
2017-2018	6,788,428	4.6%
2016-2017	10,807,912	7.6%
2015-2016	7,512,765	5.3%

CONDENSED BUDGET VERSUS ACTUAL GENERAL FUND 2024 – 2025

	Final Budget	Actual	Variance with Final Budget
Revenues	\$ 244,819,516	\$ 256,122,839	\$ 11,303,323
Expenditures	225,553,388	211,567,346	13,986,042
Other financing sources (uses)	(19,266,128)	(33,128,395)	(13,862,267)
Net change in fund balance	\$ -	\$ 11,427,098	\$ 11,427,098

The General Fund balance chart indicates a positive change. The General Fund, actual expenditures were less than budgeted expenditures by \$13,986,042 and actual revenues were greater than budgeted revenues by \$11,303,323. The net effect of all variations was to increase the General Fund Balance by \$11,427,098. Some of the major factors in the current year results are attributable to the following. Local revenues received for Real Estate Taxes, Earned Income Taxes, Transfer Taxes, and Interest Earnings were greater than budget by \$613,714, \$2,333,332, \$1,643,725 and \$2,537,798, respectively. Basic Education/Ready to Learn was less than budget by \$2,859,963. State Share of retirement contributions was greater than budget by \$1,285,463. Federal ARP ESSER III funds were less than budget by \$2,413,788, due to the timing of the grant closeout. Salaries and benefits were less than budget, \$6,165,427, due to district wide staffing shortages.

DISTRICT-WIDE VS FUND FINANCIAL STATEMENTS

The Fund Financial Statements show an increase of \$11,427,095 in the fund balance for governmental funds, while the District-wide Financial Statements show an increase of \$46,923,948 in Net Position for Governmental Activities. The principal cause of this difference is due to capital outlays exceeding depreciation, repayment/borrowing of long-term debt, pension and OPEB benefits earned being greater than contributions. A complete analysis is shown in the District’s Annual Financial Report.

HAZLETON AREA SCHOOL DISTRICT
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LABOR RELATIONS

All employees worked under existing contracts or salary schedules during the 2024-2025 fiscal year. The contract with the International Brotherhood of Teamsters, which represents Custodial, Maintenance, Cleaning Persons and Mechanics, extended from July 1, 2022 to June 30, 2027. The contract with the Hazleton Area Education Association, which represents Teachers and other Professionals, extends from September 1, 2025 through August 31, 2030. The contract with the International Union, Security, Police and Fire Professionals of America, which represents Security Personnel, extends from July 1, 2025 through June 30, 2030. The contract with the Hazleton Area Education Support Personnel Association, which represents Aides, Cafeteria workers and Secretaries, extended from July 1, 2022 through June 30, 2027. The Superintendent of Schools and Secretary/Business Manager, the Treasurer/Assistant Business Manager, three Assistants to the Superintendent of Schools, certain confidential secretaries, and various others are covered by separate employment contracts, the remaining administrators are covered by a compensation plan that extended from July 1, 2025 through June 30, 2030.

TEN LARGEST REAL ESTATE TAXPAYERS

The ten largest real estate taxpayers in the School District for the 2024-2025 assessed valuation of their real estate are as follows:

Taxpayer	Business	Assessed Valuation
Warrior Trail Properties (Niagara)	Manufacturer	\$ 70,902,600
NEPA 309 Building LLC	Distribution	50,029,100
Retail Distribution East, LLC (AE)	Distribution	46,117,900
Cabot Properties LP	Manufacturer	41,750,200
550 Oak Ridge Road (Amazon)	Distribution	41,431,800
Humboldt Realty (Romark)	Warehousing	34,359,000
Lineage PA Hazleton RE LLC	Warehousing	28,880,000
IRIS USA Inc	Manufacturer	27,847,900
TSP Hazleton Owner LLC	Warehousing	24,047,100
United States Cold Storage, LLC	Distribution	23,500,000
		\$ 388,865,600

HAZLETON AREA SCHOOL DISTRICT
Management’s Discussion and Analysis (Unaudited)
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TEN LARGEST EMPLOYERS

The ten largest employers in the School District for the 2024-2025 are as follows:

Employer	Product/Service	Estimated Employees
Amazon Fulfillment	Retail distribution	2,740
Hazleton Area School District	Education	1,632
Lehigh Valley Health Network	Healthcare	981
Cargill Meat Solutions	Retail meat processing facility	812
Autozone Distribution Center	Distributor of auto parts	650
American Eagle Outfitters	Retail distribution	550
Michael's Stores	Distributor of handcraft products	460
The Hershey Company	Molded chocolate products	450
AMCOR	Extrusion and printing of polyfilm	389
Fabri-Kal Corp	Packaging products	368

INCREASING ENROLLMENTS/BUILDING PROGRAM

The following chart shows the student enrollment history for the past ten years.

School Year	Enrollment	Percentage Increase (Decrease)
2024-2025	13,706	3.47%
2023-2024	13,246	3.60%
2022-2023	12,786	3.00%
2021-2022	12,413	3.65%
2020-2021	11,976	3.29%
2019-2020	11,594	0.51%
2018-2019	11,535	1.14%
2017-2018	11,405	1.62%
2016-2017	11,223	2.31%
2015-2016	10,970	2.02%

The chart indicates an overall increase in student enrollments over the past ten-year period.

SUMMARY

The District’s financial position has strengthened due to increased state-level supplements and continued growth in local property and wage taxes. However, staffing shortages persist across all areas. While pandemic-related funding provided significant one-time support, we remain cautious about potential near-term economic shifts.

The Act 1 Index is used to determine the maximum real estate tax increase the School District may levy without PA Department of Education exception or voter approval. Real estate tax levy for the School District is unique due to the footprint covering portions of three counties. Multi-county rebalancing based on methodology of Section 672.1 of the School Code caused an increase of 8.33%, a decrease of

HAZLETON AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

(12.27%) and an increase of 4.76% for Luzerne, Carbon and Schuylkill Counties, respectively, during the 2024-2025 year. This shows that the School District may not realize the full benefit of the Act 1 Index, as the increase stops as soon as anyone of the included municipalities reaches the index.

Current year General Fund operating results increased the fund balance by \$11,427,098 to a total fund balance of \$65,460,670, which is 26.7% of the budgeted expenditures for 2024-2025. The District is actively pursuing strategies to expand student capacity. The Board has approved Phase IV of the Energy Savings Project to ensure facilities operate efficiently. Construction of the fieldhouse is underway and scheduled for completion in fall 2026. Planning continues for a new school building on the High School campus, and the Board remains committed to allocating excess fund balances to capital projects.

Beyond financial considerations, the School District faces the challenge of sustaining and enhancing educational programs while integrating non-English-speaking students. Additionally, it must continue monitoring and managing class sizes. The Superintendent and staff remain committed to these efforts.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Hazleton Area School District, 1515 West 23rd Street, Hazle Township, PA 18202.

HAZLETON AREA SCHOOL DISTRICT

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Current Assets:			
Cash and Cash Equivalents	\$ 113,798,031	\$ 3,734,672	\$ 117,532,703
Taxes Receivables, Net	1,178,643	-	1,178,643
Internal Balances	(443,973)	443,973	-
Due from other Governments	11,766,210	238,906	12,005,116
Other Receivables, Net	1,703,691	3,778	1,707,469
Inventories	35,981	410,246	446,227
Right-to-Use Lease Asset	323,254	-	323,254
Prepaid Expenses	-	-	-
Other Assets	246,381	-	246,381
Total Current Assets	128,608,218	4,831,575	133,439,793
Non-Current Assets:			
Land and Improvements, Net	19,947,003	-	19,947,003
Buildings and Improvements, Net	122,457,465	-	122,457,465
Furniture and Equipment, Net	8,213,622	2,268,525	10,482,147
Construction in Progress	11,248,853	-	11,248,853
Total Non-Current Assets	161,866,943	2,268,525	164,135,468
Deferred Outflows of Resources:			
Deferred Outflows of Resources, Pension Activity	42,484,000	1,296,676	43,780,676
Deferred Outflows of Resources, OPEB	3,840,000	111,000	3,951,000
Total Deferred Outflows of Resources	46,324,000	1,407,676	47,731,676
Total Assets and Deferred Outflows of Resources	336,799,161	8,507,776	345,306,937
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities:			
Accounts Payable	13,879,660	164,362	14,044,022
Accrued Salaries and Benefits	23,577,136	-	23,577,136
Payroll Deductions and Withholdings	386,499	-	386,499
Accrued Interest Payable	995,325	-	995,325
Other Liabilities	18,970	21,600	40,570
Unearned Liabilities	264,747	44,416	309,163
Long-Term Liabilities:			
Portion Due or Payable Within One-Year:			
Bonds Payable, Net	11,330,509	-	11,330,509
Compensated Absences, Net	1,301,217	-	1,301,217
Lease Liability, Net	187,745	-	187,745
Portion Due or Payable After One-Year:			
Bonds Payable	82,549,376	-	82,549,376
Net Pension Liability	222,004,000	7,068,000	229,072,000
Lease Liability	148,068	-	148,068
Compensated Absences	6,389,623	-	6,389,623
Net OPEB Obligation	16,585,000	562,000	17,147,000
Total Liabilities	379,617,875	7,860,378	387,478,253
Deferred Inflows of Resources:			
Deferred Inflows of Resources, Pension Activity	3,555,000	144,961	3,699,961
Deferred Inflows of Resources, OPEB	5,288,000	171,000	5,459,000
Total Deferred Inflows of Resources	8,843,000	315,961	9,158,961
Net Position:			
Net Investment in Capital Assets	92,340,981	2,268,525	94,609,506
Restricted	24,450,901	-	24,450,901
Unrestricted	(168,453,596)	(1,937,088)	(170,390,684)
Total Net Position	\$ (51,661,714)	\$ 331,437	\$ (51,330,277)

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net Expense and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 134,786,700	\$ 468,621	\$ 65,119,848	\$ -	\$ (69,198,231)	\$ -	\$ (69,198,231)
Instructional Student Support	11,458,993	-	5,571,645	-	(5,887,348)	-	(5,887,348)
Administrative and Financial Support Services	18,547,707	-	8,755,897	-	(9,791,810)	-	(9,791,810)
Operation and Maintenance of Plant Services	12,515,750	-	-	753,271	(11,762,479)	-	(11,762,479)
Pupil Transportation	12,037,964	-	5,019,952	-	(7,018,012)	-	(7,018,012)
Student Activities	3,051,734	-	483,820	-	(2,567,914)	-	(2,567,914)
Community Services	1,890,073	-	6,523	-	(1,883,550)	-	(1,883,550)
Interest on Long-Term Debt	7,529,991	-	5,135,804	-	(2,394,187)	-	(2,394,187)
Depreciation/Amortization - Unallocated	8,121,416	-	-	-	(8,121,416)	-	(8,121,416)
Total Governmental Activities	209,940,328	468,621	90,093,489	753,271	(118,624,947)	-	(118,624,947)
Business-Type Activities							
Food Services	9,566,482	412,963	10,770,012	-	-	1,616,493	1,616,493
Total Primary Government	\$ 219,506,810	\$ 881,584	\$ 100,863,501	\$ 753,271	(118,624,947)	1,616,493	(117,008,454)
General Revenues and Transfers							
Property Taxes, Levied for General Purposes, Net					69,174,163	-	69,174,163
Other Taxes Levied					20,336,144	-	20,336,144
Grants and Entitlements Not Restricted to Specific Programs					70,984,597	-	70,984,597
Investment Earnings, Unrestricted					4,745,538	100,866	4,846,404
Disposal of Fixed Assets					1,600	-	1,600
Miscellaneous					306,853	-	306,853
Total General Revenues and Transfers					165,548,895	100,866	165,649,761
Change in Net Position					46,923,948	1,717,359	48,641,307
Net Position - Beginning					(98,585,662)	(1,385,922)	(99,971,584)
Net Position - Ending					\$ (51,661,714)	\$ 331,437	\$ (51,330,277)

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Student Sponsored Activities	Capital Projects	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 106,833,312	\$ 347,718	\$ 6,617,001	\$ 113,798,031
Taxes Receivables, Net	1,178,643	-	-	1,178,643
Due from Other Funds	-	-	17,922,161	17,922,161
Due from Other Governments	11,766,210	-	-	11,766,210
Other Receivables, Net	1,703,691	-	-	1,703,691
Inventories	35,981	-	-	35,981
Prepaid Expenses	-	-	-	-
Total Assets	\$ 121,517,837	\$ 347,718	\$ 24,539,162	\$ 146,404,717
Liabilities:				
Accounts Payable	\$ 13,443,681	\$ 4,359	\$ 431,620	\$ 13,879,660
Accrued Salaries and Benefits	23,577,136	-	-	23,577,136
Payroll Deductions and Withholdings	386,499	-	-	386,499
Due to other Funds	18,366,134	-	-	18,366,134
Other Liabilities	18,970	-	-	18,970
Total Liabilities	55,792,420	4,359	431,620	56,228,399
Deferred Inflows of Resources	264,747	-	-	264,747
Fund Balances				
Nonspendable Fund Balance	35,981	-	-	35,981
Restricted Fund Balance	-	-	24,107,542	24,107,542
Committed Fund Balance	45,548,563	-	-	45,548,563
Assigned Fund Balance	500,000	343,359	-	843,359
Unassigned Fund Balances	19,376,126	-	-	19,376,126
Total Fund Balances	65,460,670	343,359	24,107,542	89,911,571
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 121,517,837	\$ 347,718	\$ 24,539,162	\$ 146,404,717

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
June 30, 2025

Fund Balance - Total Governmental Funds	\$	89,911,571
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of assets is \$348,397,177 and the accumulated depreciation is \$186,530,234.		161,866,943
Unamortized portion of bond issuance is not a financial resource and therefore not reported as assets in governmental funds. The bond insurance for the debt issue was \$452,017 and the accumulated amortization was \$205,636.		246,381
Unamortized portion of bond discount is not a financial resource and therefore not reported as assets in governmental funds. The original bond discount for the debt issue was \$361,737 and the accumulated amortization was \$93,824.		267,913
Unamortized portion of bond premium is not a financial resource and therefore not reported as assets in governmental funds. The original bond premium for the debt issue was \$5,977,278 and the accumulated amortization was \$3,994,480.		(1,982,798)
Unamortized portion of lease assets are not a financial resource and therefore not reported as assets in government funds. The lease asset was \$1,341,028 and the accumulated amortization was \$1,017,774		323,254
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		(92,165,000)
Lease Liability		(335,813)
Accrued Interest		(995,325)
Net OPEB Obligation		(16,585,000)
Compensated Absences		(7,690,840)
Net Pension Liability		(222,004,000)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred Outflows of Resources Related to Pensions		42,484,000
Deferred Outflows of Resources Related to OPEB		3,840,000
Deferred Inflows of Resources Related to Pensions		(3,555,000)
Deferred Inflows of Resources Related to OPEB		(5,288,000)
		(5,288,000)
Net Position of Governmental Activities	\$	(51,661,714)

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Student Sponsored Activities	Capital Projects	Total Governmental Funds
Revenues:				
Local Sources	\$ 96,761,918	\$ 393,818	\$ 343,806	\$ 97,499,542
State Sources	142,508,113	-	-	142,508,113
Federal Sources	16,852,808	-	-	16,852,808
Total Revenues	256,122,839	393,818	343,806	256,860,463
Expenditures:				
Instruction	139,444,584	-	-	139,444,584
Support Services	61,072,746	-	173,494	61,246,240
Non-Instructional Services	4,667,761	345,003	-	5,012,764
Capital Outlay	6,382,255	-	9,309,355	15,691,610
Total Expenditures	211,567,346	345,003	9,482,849	221,395,198
Excess (Deficiency) of Revenues Over Expenditures	44,555,493	48,815	(9,139,043)	35,465,265
Other Financing Sources (Uses):				
Disposal of Fixed Assets	1,600	-	-	1,600
Debt Service - Principal	(12,208,297)	-	-	(12,208,297)
Debt Service - Interest	(2,821,148)	-	-	(2,821,148)
Bond Proceeds	-	-	9,995,000	9,995,000
Bond Premiums	-	-	12,499	12,499
Insurance Recoveries	2,212	-	-	2,212
Refund of Prior Year Revenues	(105,162)	-	-	(105,162)
Capital Fund Transfers	(17,997,600)	-	17,997,600	-
Other Financing Sources, Net	(33,128,395)	-	28,005,099	(5,123,296)
Net Change in Fund Balances	11,427,098	48,815	18,866,056	30,341,969
Fund Balance - Beginning	54,033,572	294,544	5,241,486	59,569,602
Fund Balance - Ending	\$ 65,460,670	\$ 343,359	\$ 24,107,542	\$ 89,911,571

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

Net Change in Fund Balance - Total Governmental Funds	\$	30,341,969
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlays	17,593,202	
Gain on Disposal of Assets	1,600	
Less Depreciation Expense	<u>(8,882,888)</u>	8,711,914
In the statement of activities, appreciation on compound interest bonds is accrued on related debt.		(215,108)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bonds Payable	2,030,000	
Lease Liability	<u>196,840</u>	2,226,840
Repayment of leases is an expenditure in the governmental funds, but the repayment reduces lease liabilities in the statement of net assets.		(183,297)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(39,058)
In the statement of activities, compensated absences are accrued, whereas in governmental funds, a benefit expenditure is reported when taken.		(699,826)
Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of benefits earned net of employee contributions is reported as expense.		
District Pension Contributions	30,326,080	
District OPEB Contributions	898,220	
Cost of Benefits Earned Net of Employee Contributions - Pension	(23,829,952)	
Cost of Benefits Earned Net of Employee Contributions - OPEB	<u>(853,600)</u>	6,540,748
Bond insurance costs of \$452,017 were reported on the governmental fund statements when the debt was incurred. Amortization of insurance costs are recorded in the statement of activities.		3,100
Bond discount of \$361,737 were reported on the government fund statements when the debt was incurred was incurred. Amortization of bond discounts are recorded in the statement of activities.		(18,371)
Bond premium of \$5,977,278 were reported on the government fund statements when the debt was incurred. Amortization of bond premiums are recorded in the statement of activities.		<u>255,037</u>
Change in Net Position of Governmental Activities	\$	<u><u>46,923,948</u></u>

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2025

	Food Service
Assets and Deferred Outflows of Resources	
Current Assets:	
Cash	\$ 3,734,672
Inventories	410,246
Due from other Governments	238,906
Due from other Funds	443,973
Other Receivables, Net	3,778
Total Current Assets	4,831,575
Non-Current Assets:	
Furniture and Equipment, Net	2,268,525
Total Non-Current Assets	2,268,525
Deferred Outflows of Resources:	
Deferred Outflows of Resources, Pension Activity	1,296,676
Deferred Outflows of Resources, OPEB	111,000
Total Deferred Outflows of Resources	1,407,676
Total Assets and Deferred Outflows of Resources	8,507,776
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities:	
Accounts Payable	164,362
Unearned Revenue	44,416
Other Current Liabilities	21,600
Other Postemployment Benefits	562,000
Net Pension Liability	7,068,000
Total Liabilities	7,860,378
Deferred Inflows of Resources:	
Deferred Inflows of Resources, Pension Activity	144,961
Deferred Inflows of Resources, OPEB	171,000
Total Deferred Inflows of Resources	315,961
Net Position:	
Net Investment in Capital Assets	2,268,525
Unrestricted Net Deficit	(1,937,088)
Total Net Position	\$ 331,437

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Food Service
Operating Revenues	
Food Service	\$ 412,963
Operating Expenses	
Other Purchased Services	3,754,598
Salaries	3,040,404
Employee Benefits	1,696,962
Supplies	828,465
Property Services	90,400
Depreciation	135,735
Other Operating Expenses	19,918
Total Operating Expenses	9,566,482
Operating Gain (Loss)	(9,153,519)
Non-Operating Revenues (Expenses)	
Federal Subsidies	9,904,631
State Subsidies	859,868
Local Subsidies	5,513
Earnings on Investments	100,866
Total Non-Operating Revenues (Expenses)	10,870,878
Change in Net Position	1,717,359
Net Position - Beginning	(1,385,922)
Net Position - Ending	\$ 331,437

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 412,963
Payments to Supplier	(6,107,719)
Payments to Employees for Services	(3,040,404)
Net Cash Provided (Used) in Operating Activities	(8,735,160)
Cash Flows from Non-Capital Financing Activities:	
Federal Subsidies	9,360,941
State Subsidies	859,836
Local Subsidies	5,513
Net Cash Provided (Used) by Non-Capital Financing Activities	10,226,290
Cash Flows Provided (Used) in Capital and Related Financing Activities	
Purchase of Capital Assets	(1,044,430)
Cash Flows Provided (Used) by Investing Activities:	
Interest on Investments	100,866
Net Increase (Decrease) in Cash	547,566
Cash - Beginning	3,187,106
Cash - Ending	\$ 3,734,672
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Gain (Loss)	\$ (9,153,519)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities:	
Depreciation	135,735
Donated USDA Commodities	533,862
Pension Expense	(201,039)
Other Postemployment Benefits	(2,000)
Changes in Assets and Liabilities:	
Inventories	(58,231)
Other Receivables, Net	(3,778)
Accounts Payable	(903)
Due from/to Other Funds	(5,050)
Unearned Revenue	12,260
Other Current Liabilities	7,503
Total Adjustments	418,359
Net Cash Provided (Used) in Operating Activities	\$ (8,735,160)
Supplemental Disclosures:	
Non-Cash Activities	
Donated Foods	\$ 546,122

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Private Purpose Trust Fund
Assets	
Cash	\$ 155,316
Other Recievable	-
Total Assets	155,316
Liabilities	
Accounts Payable	386
Total Liabilities	386
Net Position	
Held in Trust	154,930
Total Liabilities and Net Position	\$ 155,316

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Private Purpose Trust Fund
Additions	
Local Sources	\$ 32,585
Deductions	
Non-Instructional Services	32,389
Change in Net Position	196
Net Position - Beginning	154,734
Net Position - Ending	\$ 154,930

See notes to financial statements which are an integral part of this statement

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and practices followed by the Hazleton Area School District (the “District”) are summarized below:

A. Nature of Operations

The District was formed July 1, 1966 under the provisions of P.L. 564, the School District Reorganization Act of 1963 of the Commonwealth of Pennsylvania. The District is administered by a nine-member Board of Directors, each of which is elected by the general public, and operates a public school system that encompasses sixteen municipalities in Luzerne, Carbon, and Schuylkill Counties. Funding for the District is received from local, Commonwealth and federal sources and must comply with the requirements of these funding source agencies.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District’s taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

B. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit’s board and either (1) the School District’s ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the District’s financial statements to be misleading. This report presents the activities of the Hazleton Area School District. The District is not a component unit of another reporting entity nor does it have any component units.

C. Basis of Presentation

Government-Wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The District’s General and Capital Projects funds are classified as governmental activities. The District’s Food Service is classified as business-type activities.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District’s services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Basis of Presentation – Continued

Fund Financial Statements – The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District’s expendable financial resources and the related liabilities are accounted for through governmental funds.

General Fund – The General Fund accounts for the general operations of the District and all financial transactions not required to be accounted for in another fund. This fund is a major governmental fund.

Capital Projects Fund – Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The District has the following Capital Project Funds:

GOB 2023/2024A – Proceeds of \$9,995,000 and \$9,995,000 will be used for a guaranteed energy savings project districtwide, and to pay the costs of issuance.

HAHS Roadway Project – The District is constructing a roadway behind the Hazleton Area High School, to alleviate traffic congestion, as well as service the North Academic Campus proposed construction.

Building/Property Acquisition – The District continues to search for suitable buildings/land to acquire/renovate in an effort to better position the District to deal with the continued growth across all aspects of the District.

Proprietary Fund Types

Proprietary funds account for operations of the District that are financed and operated in a manner similar to those often found in the private sector. The following is a description of the proprietary fund of the District:

Food Service – The Food Service Fund distinguishes between operating revenues and expenses and non-operating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as nonoperating. This fund is a major proprietary fund.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Basis of Presentation – Continued

Fiduciary Fund Types

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Private Purpose Trust Fund – The Private Purpose Trust Fund accounts for scholarship grants to students of the District and for the expenditure of donations for the purchase of library books and resources and accounts for escheated property.

D. Measurement Focus

Government-Wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District’s net total assets.

Fund Financial Statements – Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Proprietary funds are also accounted for using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

F. Accrual Basis

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. For exchange transactions, revenues are recognized when earned and expenses are recognized when incurred, that is when each party gives and receives essentially equal value when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, requires tax revenues to be recognized in the year levied while grant revenue, entitlements and appropriations are recognized when granter eligibility requirements are met.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Modified Accrual Basis

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures, other than principal and interest on bonds payable, compensated absences and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences and claims and judgments are recorded as fund liabilities when due to unpaid.

The District reports unearned revenue on its fund financial statements. Unearned revenue arises when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

The District applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District does not apply FASB pronouncements issued after November 30, 1989.

H. Allocation of Indirect Expenses

The District allocates certain building-related costs to the proprietary fund. It does not allocate any other indirect costs.

I. Budgetary Data

The School Board approves, prior to the beginning of each fiscal year, an annual budget on the modified accrual basis for the General Fund. This is the only fund for which a budget is required and for which taxes may be levied. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year.

The District expenditures may not legally exceed the revised budget amounts by function and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies. Amendments require School Board approval.

All appropriations lapse at the end of each fiscal year.

J. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash and liquid asset funds, which are carried at cost. Investments are limited by the School Board’s investment policy. The District considers all investments purchased with an original maturity of three months or less to be cash equivalents. If the original maturities of investments exceed three months, they are classified as investments.

HAZLETON AREA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Deferred Outflows/Inflows of Resources

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reported deferred outflows of resources and deferred inflows of resources related to pensions.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue, reported only in the Governmental Funds Balance Sheet, reports unavailable revenues from property taxes. This amount will be deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market, except for donated inventories which are valued at fair market value as determined by the U.S. Department of Agriculture at the date of donation. Textbooks and instructional and custodial supplies are charged to expense upon acquisition.

M. Capital Assets

Capital assets of governmental activities are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activity column of the government-wide statement of net position and in the respective fund.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$20,000 for site and building improvements and a \$10,000 threshold for all other capital assets. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-Type Activity
Land Improvements	20-50 years	N/A
Building and Improvements	20-50 years	N/A
Furniture and Equipment	5-20 years	5 years

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Lease Assets

Lease assets are reported within the major class of the underlying asset in the District-wide financial statements, and valued at the future minimum lease payments. Amortization is 9 years based on the contract terms and/or estimated replacement of the assets.

O. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the District-wide financial statements.

P. Compensated Absences

Unused vacation and accumulated sick leave are obligated under a collective bargaining agreement for all employees, excluding members of the administration. A provision is made annually in the budget for the estimated cost of substitute personnel. Contractual provisions with teachers require payments of accumulated unused sick leave days on retirement in the amount of \$60 per day up to 100 days, \$100 per day for days above 100 to a maximum of 200, and \$165 per day for 201 days and above for the 2024-2025 school year. Similar contractual provisions are in effect with nonprofessional employees except that the payment is \$30 per day up to 200 days, and \$50 per day for 201 days and above for clerks, aides, and cafeteria workers. Custodial, maintenance, and cleaning personnel receive \$35 per day up to 99 days, \$45 per day for 100 through 199, and \$55 per day for 200 or more days. After ten years of employment, full-time security officers and seasonal security officers receive \$35 per day up to 99 days, \$45 per day above 99 to a maximum of 199, and \$55 per day for 200 days and above. Administrators, principals, and vice-principals are paid the same as the teachers.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for the portion of accumulating sick leave benefits that is reasonably estimated to be taken prior to retirement.

The District is liable for termination payments to retirees who retire under early retirement incentive plan provision in certain contractual agreements. Payments to retirees are made annually under the provision of the contract in effect when the employee retired to a maximum of \$20,000. The expenditure for early termination payments is recognized as paid, with a liability recorded for the amount in excess of the maximum annual payment.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

R. Unearned Revenue

Unearned revenue represents amounts already received, but not earned, which will be included in revenue of subsequent fiscal years. Unearned revenues consist of unearned federal and Commonwealth funds.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S. Fund Balance

The District's fund balance classifications are defined and described as follows:

Non-spendable – Represents fund balance amounts that cannot be spent because they are in a non-spendable form or legally or contractually required to be maintained intact.

Restricted – Represents fund balance amounts that are limited by external parties, or by enabling legislation.

Committed – Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned – Represented fund balance amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. Through board policy, the Board has delegated the authority to express intent to the District's finance committee or board secretary/business manager.

Unassigned – Represents fund balance amounts available for consumption that have not been restricted in any manner.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an unassigned general fund balance of not less than 3 percent and not more than 8 percent of the budgeted expenditures for that year.

T. Eliminations and Internal Balances

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled "internal balances" on the statement of net assets.

U. Restricted Net Assets

When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, and then unrestricted resources as needed.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

The District's investment policy is in accordance with the Public School Code 1949, Section 440.1 which requires monies to be invested in U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC or FSLIC or NCUSIF to the extent 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. Obligations of 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, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

At June 30, 2025, the District's cash and cash equivalents include deposits with local financial institutions and the Pennsylvania School District Liquid Asset Fund (PSDLAF) \$23,425,048 Pennsylvania Local Government Investment Trust (PLGIT) \$14,413, Pennsylvania INVEST (PA INVEST) \$23,470,188 and various petty cash balances \$10,935 held throughout the District.

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The District does not maintain any significant investments, therefore is not exposed to this type of risk. PLGIT, PSDLAF, and PA INVEST have received an AAA rating from Standards & Poor's.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2025, \$77,211,677 of the District's \$77,962,174 bank balance is uninsured and collateralized with securities held by the pledging bank's trust department not in the District's name, \$750,496 was insured by the FDIC and \$46,909,649 is uninsured and uncollateralized. As stated above the District also places funds with PSDLAF, PLGIT, and PA INVEST. Each member owns a pro rata share of each of the fund's underlying investments or deposits, which are held in the name of the applicable fund. The underlying pool of securities for each of these funds is permitted in Section 440.1 of the School Code. In order to minimize interest rate risks, each fund strives to maintain investment maturities to keep the net asset values for participants at \$1.00 per share.

NOTE 3 – TAXES RECEIVABLE

Real estate taxes are levied on July 18 for Schuylkill, Carbon, and Luzerne Counties, based on assessed values established by the Luzerne, Carbon, and Schuylkill Counties Board of Assessments. Real property in the School District was originally assessed at \$4,710,345,960 for the 2024-2025 tax years. A tax rate of 13.238 mills-Luzerne County, 27.629 mills-Carbon County, and 38.917 mills-Schuylkill County was established for fiscal year 2024-2025. Taxes are due on or before November 18 for Schuylkill, Carbon, and Luzerne Counties. Payments prior to September 18 for Schuylkill, Carbon, and Luzerne Counties are entitled to a 2% discount, while payments after November 18 for Schuylkill, Carbon, and Luzerne Counties are subject to a 10% penalty. Taxes not paid by January 1 attach as an enforceable lien on property.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts which are due from other governments include \$361,955 from various school districts for tuition and early intervention services. \$7,636,077 for grant programs due from the Commonwealth of Pennsylvania’s Department of Education (“PDE”), as well as \$3,768,178 in federal funds passed through the PDE.

Amounts that are business-type activities due from other governments include \$238,906 for federal and state food subsidies.

NOTE 5 – CAPITAL ASSETS

	BALANCE	ADDITIONS	DELETIONS	BALANCE
	07/01/2024			06/30/2025
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 3,657,440	\$ -	\$ -	\$ 3,657,440
Construction in Progress	15,700,030	15,958,439	(20,409,616)	11,248,853
Total Capital Assets, Not Being Depreciated	19,357,470	15,958,439	(20,409,616)	14,906,293
Capital Assets, Being Depreciated				
Land Improvements	21,623,630	8,568,402	-	30,192,032
Building and Improvements	273,818,316	12,538,944	-	286,357,260
Furniture and Equipment	16,012,670	937,032	(8,111)	16,941,591
Total Capital Assets, Being Depreciated	311,454,616	22,044,378	(8,111)	333,490,883
Less: Accumulated Depreciation				
Land Improvements	(12,795,527)	(1,106,942)	-	(13,902,469)
Building and Improvements	(156,896,562)	(7,003,232)	-	(163,899,794)
Furniture and Equipment	(7,963,367)	(772,714)	8,111	(8,727,970)
Total Accumulated Depreciation	(177,655,456)	(8,882,888)	8,111	(186,530,233)
Total Capital Assets, Being Depreciated, Net	133,799,160	13,161,490	-	146,960,650
Governmental Activities Capital Assets, Net	<u>\$ 153,156,630</u>	<u>\$ 29,119,929</u>	<u>\$ (20,409,616)</u>	<u>\$ 161,866,943</u>
BUSINESS-TYPE ACTIVITIES				
Furniture and Equipment	\$ 3,477,399	\$ 1,044,430	-	\$ 4,521,829
Less: Accumulated Depreciation	(2,117,569)	(135,735)	-	(2,253,304)
Business-Type Activities Capital Assets, Net	<u>\$ 1,359,830</u>	<u>\$ 908,695</u>	<u>\$ -</u>	<u>\$ 2,268,525</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 154,691
Instructional Student	492,683
Student Activities	93,568
Operation and Maintenance of Plant Services	203,473
Unallocated	7,938,473
Total Depreciation Expense	<u>\$ 8,882,888</u>

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 6 – LONG-TERM DEBT

General Obligation Bonds

The District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities or to refund prior year bond issues. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Bonded debt payable at June 30, 2025 is comprised of the following individual issues:

Qualified School Construction Bonds, Series A of 2010, \$10,370,000 due in annual principal installments ranging from \$800,000 to \$5.0 million through September 1, 2027, interest rate is fixed at 5.00%	\$ 6,720,000
General Obligation Bonds, Series of 2016B, \$17,100,000 due in annual principal installments ranging from \$710,000 to \$1,390,000 through March 1, 2033, interest rate is variable from 2.50% to 4.00%	9,605,000
General Obligation Bonds, Series of 2019, \$5,630,000 due in annual principal installments ranging from \$250,000 to \$375,000 through March 1, 2039, interest rate is variable from 2.125% to 4.00%	4,210,000
General Obligation Bonds, Series of 2019A, \$7,535,000 due in annual principal installments ranging from \$530,000 to \$665,000 through March 1, 2034, interest rate is variable from 2.00% to 4.00%	5,415,000
General Obligation Bonds, Series of 2020, \$7,335,000 due in annual principal installments ranging from \$490,000 to \$600,000 through March 1, 2035, interest rate is variable from 2.00% to 3.00%	5,455,000
General Obligation Bonds, Series of 2020A, \$4,590,000 due in annual principal installments ranging from \$5,000 to \$2,700,000 through March 1, 2039, interest rate is variable from 1.25% to 4.00%	4,570,000
General Obligation Bonds, Series of 2021A, \$6,940,000 due in annual principal installments ranging from \$115,000 to \$6,550,000 through March 1, 2034, interest rate is variable from 1.00% to 1.50%	6,940,000
General Obligation Bonds, Series of 2021B, \$29,250,000 due in annual principal installments ranging from \$4,090,000 to \$8,300,000 through March 1, 2035, interest rate is variable from 1.229% to 1.63%	20,625,000
General Obligation Bonds, Series of 2023, \$9,995,000 due in annual principal installments ranging from \$5,000 to \$3,190,000 through March 1, 2043, interest rate is variable from 3.50% to 4.375%	9,990,000
General Obligation Bonds, Series of 2024, \$8,650,000 due in annual principal installments ranging from \$5,000 to \$1,890,000 through March 1, 2039, interest rate is fixed at 4.00%	8,640,000
General Obligation Bonds, Series of 2024A, \$9,995,000 due in annual principal installments ranging from \$5,000 to \$865,000 through March 1, 2044, interest rate is variable from 4.00% to 5.00%	9,995,000
	\$ 92,165,000

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 6 – LONG-TERM DEBT – CONTINUED

General Obligation Bonds – Continued

In the 2010-2011 year, the District was awarded participation in the (A) Qualified School Construction Bonds (“QSCB”) program, a federally subsidized loan. Under the program, the federal government subsidizes 4.83% of the 5.00% interest due on the QSCB bonds. During 2025, the District paid \$518,500 of interest on the bonds and received \$474,368 from the federal government.

The following is an analysis of debt service requirements to maturity on these obligations at June 30, 2025:

Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 11,585,000	\$ 3,024,554	\$ 14,609,554
2027	11,765,000	2,834,496	14,599,496
2028	11,930,000	2,360,780	14,290,780
2029	9,240,000	1,943,081	11,183,081
2030	3,250,000	1,747,741	4,997,741
2031-2035	15,520,000	7,354,919	22,874,919
2036-2040	16,445,000	4,619,026	21,064,026
2041-2044	12,430,000	1,081,370	13,511,370
Total	<u>\$ 92,165,000</u>	<u>\$ 24,965,967</u>	<u>\$ 117,130,967</u>

During the year ended June 30, 2024, the District incurred \$7,275,471 of bond interest expense.

The District defeased certain revenue and general obligation bonds by placing the proceeds of new bonds in trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust assets and liability for the defeased bonds are not included in the District’s financial statements.

The principal balance of defeased bonds outstanding as of June 30, 2025 is as follows:

- 2004 General Obligation Bond \$19,390,000

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
Series B of 1995 CIB	\$ 5,049,892	\$ 215,108	\$ (5,265,000)	\$ -	\$ -
Series A of 2010	7,550,000	-	(830,000)	6,720,000	800,000
Series B of 2016	10,705,000	-	(1,100,000)	9,605,000	1,145,000
Series of 2019	4,455,000	-	(245,000)	4,210,000	250,000
Series A of 2019	5,925,000	-	(510,000)	5,415,000	530,000
Series of 2020	5,940,000	-	(485,000)	5,455,000	490,000
Series A of 2020	4,575,000	-	(5,000)	4,570,000	5,000
Series A & B of 2021	31,135,000	-	(3,570,000)	27,565,000	8,350,000
Series of 2023	9,995,000	-	(5,000)	9,990,000	5,000
Series of 2024	8,650,000	-	(10,000)	8,640,000	5,000
Series A of 2024	-	9,995,000	-	9,995,000	-
Total General Obligation Bonds	93,979,892	10,210,108	(12,025,000)	92,165,000	11,580,000
Bond Discount	(286,284)	-	18,371	(267,913)	(18,371)
Bond Premium	2,237,835	12,499	(267,536)	1,982,798	267,862
Total General Obligation Bonds, Net	95,931,443	10,222,607	(12,274,165)	93,879,885	11,829,491
Net Pension Liability	229,716,000	-	(7,712,000)	222,004,000	-
Compensated Absences	6,991,014	1,912,992	(1,213,166)	7,690,840	1,301,217
Net OPEB Obligation	16,389,000	196,000	-	16,585,000	-
Lease Liability	513,283	-	(177,470)	335,813	187,745
Total Long-Term Liabilities	\$ 349,540,739	\$ 12,331,599	\$ (21,376,801)	\$ 340,495,538	\$ 13,318,453
Business-Type Activities:					
Net Pension Liability	\$ 7,307,000	\$ -	\$ (239,000)	\$ 7,068,000	\$ -
Net OPEB Obligation	556,000	6,000	-	562,000	-
Total Long-term Liabilities	\$ 7,863,000	\$ 6,000	\$ (239,000)	\$ 7,630,000	\$ -

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 8 – DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, UNAVAILABLE AND UNEARNED REVENUES

Government-Wide Statement of Net Position

At June 30, 2025, deferred inflows of resources consisted of the net difference between projected and actual investment earnings of \$3,555,000 and \$5,288,000 related to the pension and OPEB liability, respectively. Unearned revenue consisted of grants of \$264,747.

At June 30, 2025, deferred outflows of resources consisted of changes in proportions, the difference between employer contributions and proportionate share of total contributions and contributions subsequent to the measurement date, \$42,484,000 and \$3,840,000 related to the pension OPEB liability, respectively.

Food Service Fund

Unearned revenues represent food received in the District's food service operations that is on hand at June 30, 2025. Such revenues will be recognized when the food commodities are used.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS

The Health Insurance Premium Assistance Program (HIPAP) is a cost-sharing, multiple-employer, employee defined benefit other postemployment benefits plan administered by PSERS.

Other Postemployment Benefits

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

General Information About the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024 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:

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS – CONTINUED

General Information About the Health Insurance Premium Assistance Program – Continued

Premium Assistance Eligibility Criteria – Continued

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

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

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

Pension Plan Description

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

Benefits Provided

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

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$594,000 for the year ended June 30, 2025.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS – CONTINUED

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

At June 30, 2025, the District reported a liability of \$9,701,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2023 to June 30, 2024. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District’s proportion was 0.5461%, which was an increase of 0.0134% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized OPEB expense of \$467,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Difference between expected and actual experience	\$ 36,000	\$ 89,000
Changes in assumptions	547,000	1,371,000
Net difference between projected and actual investment earnings	10,000	-
Changes in proportion	635,000	120,000
Difference between employer contributions and proportionate share of total contributions	828,000	-
Contributions subsequent to the measurement date	574,000	-
	<u>\$ 2,630,000</u>	<u>\$ 1,580,000</u>
Business-Type Activities:		
Difference between expected and actual experience	\$ 1,000	\$ 57,000
Changes in assumptions	44,000	110,000
Net difference between projected and actual investment earnings	-	-
Changes in proportion	20,000	4,000
Difference between employer contributions and proportionate share of total contributions	26,000	-
Contributions subsequent to the measurement date	20,000	-
	<u>\$ 111,000</u>	<u>\$ 171,000</u>

\$594,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS – CONTINUED

Year Ending June 30:	Governmental Activities	Business-Type Activities
2026	\$ 178,000	\$ (4,000)
2027	(311,000)	(19,000)
2028	(557,000)	(27,000)
2029	(468,000)	(24,000)
2030	1,634,000	(6,000)
	\$ 476,000	\$ (80,000)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2024, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.21% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates, were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS – CONTINUED

Actuarial Assumptions – Continued

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

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

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

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.21%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 4.21% which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2024, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS – CONTINUED

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates - Continued

	1% Decrease	Current Trend Rate	1% Increase
System Net OPEB liability	\$ 9,701,000	\$ 9,701,000	\$ 9,702,000

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 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.21%) or 1-percentage-point higher (5.21%) than the current rate:

	1% Decrease 3.21%	Discount Rate 4.21%	1% Increase 5.21%
School District's proportionate share of the net OPEB liability	\$ 10,959,000	\$ 9,701,000	\$ 8,648,000

OPEB Plan Fiduciary Net Position

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN

Plan Description

The District is contractually obligated to provide health benefits to certain former employees. The District maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to the employees made eligible as per the individual contract under which the employee retired. These benefits are provided through the District’s self-insured medical plan. Contractually, payments of insurance premiums for retirees are in three groups. The groups are as follows: a portion of the retirees are required to pay the premiums for the coverage, others have a pool of monies available to them of which monthly payments due are deducted, and another group has the entire premium paid by the District. Because the Plan consists solely of the District’s contractual obligation to provide OPEB through the payment of medical benefits on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN - CONTINUED

Plan Membership

At June 30, 2025, plan membership consisted of the following:

Active plan participants	1,443
Vested former participants	15
Retired participants	31
Total	1,489

Funding Policy and Funding Status

Premiums under the Plan for post-employment healthcare benefits are funded in various ways. For those employees whose benefits are funded by the retiree desiring coverage, the contribution rate ranges from \$682 for Single person coverage to \$2,691 for family coverage. For the period ending June 30, 2025, eligible members paid \$245,182, which was used to offset the District’s outlays to providers. The District contributed \$125,161 to the Plan for related retirees. The retired plan member may elect to continue coverage for themselves and their dependents until the retired plan member reaches Medicare age. The plan is financed on a pay-as-you-go basis.

Assumptions

The following assumptions and actuarial methods and calculations were used:

Discount Rate – 4.29% based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2024.

Salary – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

Withdrawal – Rates of withdrawal are based on PSERS plan experience and vary by age, gender, years of service and PSERS Pension Class. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 25.93% for men and 27.46% for women and decrease with age and service.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	4.55%	3.90%	45	1.41%	1.60%
30	4.55%	3.90%	50	1.89%	2.08%
35	1.68%	2.83%	55	3.63%	3.66%
40	1.42%	2.67%	60	5.49%	5.94%

Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

HAZLETON AREA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN - CONTINUED

Assumptions – Continued

Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Disability – No disability was assumed.

Retirement – Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Age	Male	Female	Male	Female	Male	Female
55	14.5%	14.5%	25.0%	16.0%	16.3%	19.5%
56	14.5%	14.5%	25.0%	20.0%	16.3%	19.5%
57	14.5%	15.0%	28.0%	28.0%	16.3%	19.5%
58	14.5%	15.0%	28.0%	30.0%	16.3%	19.5%
59	21.6%	20.7%	28.0%	30.0%	16.3%	19.5%
60	14.5%	15.0%	29.0%	31.0%	16.3%	19.5%
61	29.0%	29.0%	29.0%	31.0%	16.3%	19.5%
62	29.0%	29.0%	36.0%	31.0%	16.3%	19.5%
63	29.0%	29.0%	21.0%	20.0%	16.3%	19.5%
64	29.0%	29.0%	22.0%	25.0%	16.3%	19.5%
65	29.0%	29.0%	23.0%	28.0%	16.3%	19.5%
66	29.0%	29.0%	23.0%	27.0%	16.3%	19.5%
67	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
68	29.0%	29.0%	20.0%	22.0%	16.3%	19.5%
69	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
70	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
71-73	29.0%	29.0%	20.0%	20.0%	16.3%	19.5%
74-79	29.0%	29.0%	25.0%	25.0%	16.3%	19.5%
80+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Percent of Eligible Retirees Electing Coverage in Plan – 75% of teachers and administrators and 20% of all other employees eligible to receive benefits are assumed to elect coverage. 20% of Vested Former Members are assumed to elect coverage at age 62 or age on valuation date, if later. For members taking the 2024-2025 early retirement incentive actual elections were used.

Percent Married at Retirement – 35% of retirees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age – Wives are assumed to be two years younger than their husbands.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN – CONTINUED

Assumptions – Continued

Per Capita Claims Cost – Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group’s overall cost attributed to individuals in the specific age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

Age	Medical and Prescription Drug Combined	
	Male	Female
45-49	\$ 7,509	\$ 10,844
50-54	\$ 9,945	\$ 12,256
55-59	\$ 12,112	\$ 12,824
60-64	\$ 15,806	\$ 14,732

For retirees, per capita claims costs were multiplied by a factor ranging from 0.91227 to 1.18199 depending on the medical plan elected.

Retiree Contributions – Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate – 7.0% in 2024, with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets – Equal to the Market Value of Assets

Actuarial Cost Method – Entry Age Normal – Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Participant Data – Based on census information as of October 2024. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2024-2025 school year.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN - CONTINUED

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2024	\$ 7,307,000
Service Cost	370,054
Interest	307,180
Changes of Benefit Terms	80,850
Difference between Expected and Actual Experience	(153,394)
Changes of Assumptions	(23,776)
Benefit Payments	(441,914)
Balance at June 30, 2024	\$ 7,446,000

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

The following presents the total OPEB liability, calculated using current Healthcare cost trends as well as what the total OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 6,559,000	\$ 7,446,000	\$ 8,500,000

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

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

	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
Total OPEB Liability	\$ 8,093,000	\$ 7,446,000	\$ 6,838,000

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN - CONTINUED

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

For the year ended June 30, 2025, the District recognition OPEB expense of \$456,275. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,510,000
Changes in assumptions	878,000	2,198,000
Benefit payments subsequent to the measurement date	332,000	-
	\$ 1,210,000	\$ 3,708,000

Resulting from District benefit payments subsequent to the measurement date, \$332,000 was reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB income as follows:

Year Ending	
June 30:	
2025	\$ (302,000)
2026	(302,000)
2027	(302,000)
2028	(302,000)
2029	(302,000)
Thereafter	(1,320,000)
	\$ (2,830,000)

NOTE 11 – PENSION PLAN

Summary of Significant Accounting Policies

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

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 11 – PENSION PLAN – CONTINUED

General Information About the Pension Plan

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

Benefits Provided – PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 three 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) introduces a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 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.

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

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 11 – PENSION PLAN – CONTINUED

Contributions

Members Contributions

Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	Defined Contribution (DC) Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.5% based with shared risk *	N/A	Prior to 7/1/21: 7.5% After 7/1/21: 8.0%
T-F	On or after July 1, 2011	10.3% based with shared risk *	N/A	Prior to 7/1/21: 10.3% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.5% based with shared risk *	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.5% based with shared risk *	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

*Shared Risk Program Summary

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

Employer Contribution

The District's contractually required contribution rate for the fiscal year ended June 30, 2025, was 32.92% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$28,730,961 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$229,072,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 11 – PENSION PLAN – CONTINUED

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

calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.5473%, which was an increase of 0.0145% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$24,567,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Difference between expected and actual experience	\$ -	\$ 3,460,039
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	3,678,000	-
Changes in proportions	8,398,000	-
Difference between employer contributions and proportionate share of total contributions	64,676	94,961
Contributions subsequent to the measurement date	30,343,324	-
	\$ 42,484,000	\$ 3,555,000
Business-Type Activities:		
Difference between expected and actual experience	\$ -	\$ 141,961
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	114,000	-
Changes proportions	260,000	-
Difference between employer contributions and proportionate share of total contributions	2,000	3,000
Contributions subsequent to the measurement date	920,676	-
	\$ 1,296,676	\$ 144,961

\$31,264,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2025.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 11 – PENSION PLAN – CONTINUED

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

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

Year Ending June 30:				Business-Type Activities:	
Governmental Activities					
2026	\$ (960,940)	2026	\$ (30,000)		
2027	7,789,210	2027	241,000		
2028	1,895,406	2028	59,000		
2029	(138,000)	2029	(38,961)		
	\$ 8,585,676		\$ 231,039		

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2024, was determined by rolling forward the System’s total pension liability as of the June 30, 2023 to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2023
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.00% as of June 30, 2023 and as of June 30, 2024.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decrease from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.

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

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 11 – PENSION PLAN – CONTINUED

Changes in Actuarial Assumptions – Continued

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.0%	4.8%
Private equity	12.0%	6.7%
Fixed income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure	10.0%	6.4%
Real estate	9.5%	5.9%
	100.0%	

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

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

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 11 – PENSION PLAN – CONTINUED

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
School District's proportionate share of the net pension liability	\$ 301,758,000	\$ 229,072,000	\$ 167,694,000

Pension Plan Fiduciary Net Position – Detailed information about PSERS’s fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System’s website at www.pa.gov/PSERS.

NOTE 12 – LEASE ASSETS AND LEASE LIABILITIES

Lease Asset

A summary of the lease asset activity during the year ended June 30, 2024 is as follows:

	Balance July 1, 2024	Additions	Balance June 30, 2025
Copier Equipment	\$ 1,341,028	\$ -	\$ 1,341,028
Less: Accumulated Amortization	868,771	149,003	1,017,774
Total Lease Assets, Net	\$ 472,257	\$ (149,003)	\$ 323,254

Amortization expense is unallocated on the Statement of Activities.

Lease Liabilities

Lease agreement activity during the year ended June 30, 2025, is as follows:

Description	Date	Payment Term	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2025
Copier Equipment	9/1/2018	108 Months	\$ 16,299	2.40%	\$ 1,341,028	\$ 335,813

The copier equipment was leased for the District with the terms noted above. This lease was renewed during September of 2022 for an additional five-year term. The District will not acquire the equipment at the end of the five years.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending	Principal	Interest	Total
2026	\$ 160,225	\$ 35,365	\$ 195,590
2027	164,781	30,809	195,590
2028	10,807	98	10,905
Total	\$ 335,813	\$ 66,272	\$ 402,085

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 13 – INTERNAL BALANCES/INTER-FUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
Food Service Fund	General Fund	\$ 443,973

The amounts between the funds are interfund borrowings to pay for operations.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Risk Management

The District is exposed to various risks of loss related to torts, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance for all these risks. There have not been significant reductions in insurance coverage for any major categories of risk compared to coverage in the prior year. In addition, the amounts of settlements have not exceeded insurance coverages in any of the past three fiscal years.

Self-Insured Medical Plan

Effective January 1, 2002, the District self-insured for medical benefits provided to its employees and retirees. Highmark (the “administrator”) will administer the plans for the participants who will use the current PPO plan utilizing the EHP, NEPA and Highmark networks.

The District purchased specific stop-loss insurance coverage for claims in excess of \$275,000 per participant. There were four claims in excess of the stop-loss insurance coverage for the year ended June 30, 2025.

For the year ended June 30, 2025, the District recognized approximately \$21,303,000 in self-insured medical expenses, including administrative and stop-loss insurance expenditures.

Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operation. The major portion of these lawsuits involves employees or former employees who have filed claims and it does not appear that these claims will have a materially adverse effect on the financial statements. No provision for loss has been recorded.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any receivable at June 30, 2024 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

HAZLETON AREA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 14 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Other Matters

In June 1996, the Commonwealth of Pennsylvania notified the District that their Area Vocational-Technical School (“AVTS”) should be submitting separate financial reports and subsidy forms effective for the fiscal year 1996-1997. The Commonwealth states that the AVTS is approved by the Commonwealth as a separate financial entity with its own unique administrative unit number and it receives some subsidy payments directly from the Commonwealth. The District asserts that the AVTS and the District are one entity and has been in contact with their legal counsel concerning this matter. As of the date of this report, the Commonwealth has not formally contacted the District concerning the final outcome of this matter.

NOTE 15 – FUND BALANCE ALLOCATIONS

Nonspendable Fund Balance

The General Fund had \$35,981, in nonspendable fund balance at June 30, 2025, comprised of inventories on hand and prepaid expenses at year-end.

Committed Fund Balance

The governing body (Board of School Directors) has committed, of the General Fund’s year end fund balance for the following purposes: health insurance costs \$1,000,000 and \$44,548,563 for capital projects.

Assigned Fund Balance

The General Fund has \$500,000 assigned for future retirement rate increases, and \$343,359 of Student Sponsored Activity funds.

NOTE 16 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2025, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control):

General Fund	
Non-Instructional Services	\$ 1,627,817

NOTE 17 – RELATED PARTY TRANSACTIONS

The School District currently uses a service for collection of delinquent taxes. One member of the School Board of Education is employed by the same service. All transactions are at arm’s length, and said member abstains from all votes pertaining to the service.

NOTE 18 – SUBSEQUENT EVENT

In December 2025, the District issued \$10,000,000 of General Obligation Bonds, Series of 2025. The proceeds of the Bonds will be used to fund various energy savings capital projects, additional capital projects throughout the District and to pay certain costs and expenses related to the issuance of the Bonds. The District is not aware of any other events or transactions that occurred subsequent to the Statement of Net Assets date but prior to November 30, 2025 that would require recognition or disclosure in its financial statements.

**HAZLETON AREA SCHOOL DISTRICT
JUNE 30, 2025**

**Required
Supplementary
Information**

HAZLETON AREA SCHOOL DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2025

Schedule of Changes in the Net OPEB Liability and Related Ratios
District Other Post Employment Benefits Plan

	2025	2024	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY								
Service Cost	\$ 370,054	\$ 345,672	\$ 554,406	\$ 557,541	\$ 444,166	\$ 447,798	\$ 497,426	\$ 479,458
Interest	307,180	289,579	228,893	186,672	245,831	217,351	280,519	221,604
Changes of Benefit Terms	80,850	-	-	-	1,180,850	-	-	-
Differences Between Expected and Actual Experience	(153,394)	-	(666,968)	-	(44,156)	-	(1,765,264)	-
Changes of Assumptions	(23,776)	84,250	(2,333,916)	(314,698)	1,116,290	(216,516)	(2,196)	229,950
Benefit Payments	(441,933)	(434,672)	(534,353)	(292,159)	(389,155)	(461,361)	(828,191)	(955,321)
NET CHANGE IN TOTAL OPEB LIABILITY	138,981	284,829	(2,751,938)	137,356	2,553,826	(12,728)	(1,817,706)	(24,309)
TOTAL OPEB LIABILITY, BEGINNING	7,307,117	7,022,288	9,774,226	9,636,870	7,083,044	7,095,772	8,913,478	8,937,787
TOTAL OPEB LIABILITY, ENDING	<u>\$ 7,446,098</u>	<u>\$ 7,307,117</u>	<u>\$ 7,022,288</u>	<u>\$ 9,774,226</u>	<u>\$ 9,636,870</u>	<u>\$ 7,083,044</u>	<u>\$ 7,095,772</u>	<u>\$ 8,913,478</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 88,616,937</u>	<u>\$ 73,089,777</u>	<u>\$ 73,089,777</u>	<u>\$ 69,932,738</u>	<u>\$ 69,932,738</u>	<u>\$ 66,176,160</u>	<u>\$ 66,176,160</u>	<u>\$ 61,122,352</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>8.40%</u>	<u>10.00%</u>	<u>9.61%</u>	<u>13.98%</u>	<u>13.78%</u>	<u>10.70%</u>	<u>10.72%</u>	<u>14.58%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan.

The District's covered employee payroll noted above is as of a measurement date of the net OPEB liability (June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018).

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

See Notes to Financial Statements

HAZLETON AREA SCHOOL DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2025

**Schedule of the District's Proportionate Share of the Net OPEB Liability
Health Insurance Premium Assistance Plan**

	Last 10 Years							
	2025	2024	2023	2022	2021	2020	2019	2018
School District's Proportion of the Net OPEB Liability	0.5461%	0.5327%	0.5251%	0.5041%	0.5179%	0.5093%	0.4917%	0.5118%
School District's Proportionate Share of the Net OPEB Liability	\$ 9,701,000	\$ 9,638,000	\$ 9,666,000	\$ 11,948,000	\$ 11,190,000	\$ 10,832,000	\$ 10,252,000	\$ 11,456,000
School District's Covered-Employee Payroll	\$ 86,690,748	\$ 81,609,070	\$ 77,209,756	\$ 71,463,535	\$ 72,691,585	\$ 70,233,738	\$ 66,220,816	\$ 68,139,541
School District's Proportionate Share of the Net OPEB Liability As a Percentage of its Covered-Employee Payroll	11.19%	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	16.81%
The Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.13%	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of a measurement date of the net OPEB liability (June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018).

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

See Notes to Financial Statements

HAZLETON AREA SCHOOL DISTRICT
 Required Supplementary Information
 For the Year Ended June 30, 2025

**Schedule of the District's OPEB Contributions
 Health Insurance Premium Assistance Plan
 Schedule of the District Contributions - Last 10 Years**

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 556,000	\$ 609,000	\$ 613,000	\$ 587,000	\$ 610,000	\$ 584,000	\$ 549,000	\$ 566,558
Contributions in Relation to the Contractually Required Contribution	<u>556,000</u>	<u>609,000</u>	<u>613,000</u>	<u>587,000</u>	<u>610,000</u>	<u>584,000</u>	<u>549,000</u>	<u>566,558</u>
CONTRIBUTION EXCESS (DEFICIENCY)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered-Employee Payroll	<u>\$ 86,690,748</u>	<u>\$ 81,609,070</u>	<u>\$ 77,209,756</u>	<u>\$ 71,463,535</u>	<u>\$ 72,691,585</u>	<u>\$ 70,233,738</u>	<u>\$ 66,220,816</u>	<u>\$ 68,139,541</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>0.64%</u>	<u>0.75%</u>	<u>0.79%</u>	<u>0.82%</u>	<u>0.84%</u>	<u>0.83%</u>	<u>0.83%</u>	<u>0.83%</u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of a measurement date of the net OPEB liability (June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018).

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

See Notes to Financial Statements

HAZLETON AREA SCHOOL DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2025

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's Proportion of the Net Pension Liability (Asset)	0.5473%	0.5328%	0.5252%	0.5054%	0.5179%	0.5093%	0.4917%	0.5118%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 229,072,000	\$ 237,023,000	\$ 233,497,000	\$ 207,501,000	\$ 255,107,000	\$ 238,264,000	\$ 236,040,000	\$ 252,770,000
School District's Covered-Employee Payroll	\$ 86,690,748	\$ 81,609,070	\$ 77,209,756	\$ 71,463,535	\$ 72,691,585	\$ 70,233,738	\$ 66,220,816	\$ 68,139,541
School District's Proportionate Share of the Net Pension Liability (Asset) As a Percentage of its Covered-Employee Payroll	264.24%	290.44%	302.42%	290.36%	350.94%	339.24%	356.44%	370.96%
The Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of a measurement date of the net pension liability (June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018).

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

See Notes to Financial Statements

HAZLETON AREA SCHOOL DISTRICT
 Required Supplementary Information
 For the Year Ended June 30, 2025

	Schedule of the District's Pension Contributions - Last 10 Years							
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 31,264,000	\$ 28,609,000	\$ 27,954,000	\$ 26,267,000	\$ 24,037,000	\$ 24,310,000	\$ 20,864,000	\$ 21,112,000
Contributions in Relation to the Contractually Required Contribution	<u>31,264,000</u>	<u>28,609,000</u>	<u>27,954,000</u>	<u>26,267,000</u>	<u>24,037,000</u>	<u>24,310,000</u>	<u>20,864,000</u>	<u>21,112,000</u>
CONTRIBUTION EXCESS (DEFICIENCY)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered-Employee Payroll	<u>\$ 86,690,748</u>	<u>\$ 81,609,070</u>	<u>\$ 77,209,756</u>	<u>\$ 71,463,535</u>	<u>\$ 72,691,585</u>	<u>\$ 70,233,738</u>	<u>\$ 66,220,816</u>	<u>\$ 68,139,541</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>36.06%</u>	<u>35.06%</u>	<u>36.21%</u>	<u>36.76%</u>	<u>33.07%</u>	<u>34.61%</u>	<u>31.51%</u>	<u>30.98%</u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of a measurement date of the net pension liability (June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018).

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

See Notes to Financial Statements

**HAZLETON AREA SCHOOL DISTRICT
JUNE 30, 2025**

**Budget to Actual
Schedule**

HAZLETON AREA SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2025

	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 88,995,821	\$ 88,995,821	\$ 96,761,918	\$ 7,766,097
State Sources	138,475,702	138,475,702	142,508,113	4,032,411
Federal Sources	17,347,993	17,347,993	16,852,808	(495,185)
Total Revenues	<u>244,819,516</u>	<u>244,819,516</u>	<u>256,122,839</u>	<u>11,303,323</u>
EXPENDITURES:				
Current:				
Instruction	143,443,344	143,443,344	139,444,584	3,998,760
Support Services	64,415,100	64,415,100	61,072,746	3,342,354
Non-Instructional Services	3,039,944	3,039,944	4,667,761	(1,627,817)
Capital Outlay	14,655,000	14,655,000	6,382,255	8,272,745
Total Expenditures	<u>225,553,388</u>	<u>225,553,388</u>	<u>211,567,346</u>	<u>13,986,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>19,266,128</u>	<u>19,266,128</u>	<u>44,555,493</u>	<u>25,289,365</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Uses Not Listed	-	-	(105,162)	(105,162)
Debt Service	(16,486,005)	(16,486,005)	(15,029,445)	1,456,560
Insurance Recoveries	-	-	1,600	1,600
Sale of Fixed Assets	15,000	15,000	2,212	(12,788)
Fund Transfers	(2,795,123)	(2,795,123)	(17,997,600)	(15,202,477)
Total Other Financing Sources, Net	<u>(19,266,128)</u>	<u>(19,266,128)</u>	<u>(33,128,395)</u>	<u>(13,862,267)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	11,427,098	<u>\$ 11,427,098</u>
FUND BALANCE - BEGINNING			<u>54,033,572</u>	
FUND BALANCE - ENDING			<u>\$ 65,460,670</u>	

See Notes to Financial Statements

**HAZLETON AREA SCHOOL DISTRICT
JUNE 30, 2025**

**Combining Statements
For the Year Ended June 30, 2025**

HAZLETON AREA SCHOOL DISTRICT
Combining Balance Sheet - Capital Project Fund
June 30, 2025

	General Obligation Bonds 2023/2024A	HAHS Roadway Project	Building / Property Acquisition	Total Capital Project Fund
ASSETS:				
Cash and Cash Equivalents	\$ 6,617,001	\$ -	\$ -	\$ 6,617,001
Due from Other Funds	1,897,600	4,024,561	12,000,000	17,922,161
Total Assets	<u>\$ 8,514,601</u>	<u>\$ 4,024,561</u>	<u>\$ 12,000,000</u>	<u>\$ 24,539,162</u>
LIABILITIES AND FUND BALANCES:				
Accounts Payable	\$ 431,620	\$ -	\$ -	\$ 431,620
Total Liabilities	431,620	-	-	431,620
FUND BALANCES:				
Restricted for Capital Projects	8,082,981	4,024,561	12,000,000	24,107,542
Total Liabilities and Fund Balances	<u>\$ 8,514,601</u>	<u>\$ 4,024,561</u>	<u>\$ 12,000,000</u>	<u>\$ 24,539,162</u>

HAZLETON AREA SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balance - Capital Project Fund
For the Year Ended June 30, 2025

	General Obligation Bonds 2023/2024A	HAHS Roadway Project	Building / Property Acquisition	Total Capital Project Fund
Revenues:				
Local Sources	\$ 343,806	\$ -	\$ -	\$ 343,806
Expenditures:				
Support Services	173,494	-	-	173,494
Capital Outlay	9,233,916	75,439	-	9,309,355
Total Expenditures	9,407,410	75,439	-	9,482,849
Deficiency of Revenues Under Expenditures	(9,063,604)	(75,439)	-	(9,139,043)
Other Financing Sources:				
Bond Proceeds	9,995,000	-	-	9,995,000
Bond Premium	12,499			
Transfers	1,897,600	4,100,000	12,000,000	17,997,600
Total Other Financing Sources	11,905,099	4,100,000	12,000,000	28,005,099
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,841,495	4,024,561	12,000,000	18,866,056
Fund Balance - Beginning	5,241,486	-	-	5,241,486
Fund Balance - Ending	\$ 8,082,981	\$ 4,024,561	\$ 12,000,000	\$ 24,107,542

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANT 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***

Members of the School Board
Hazleton Area School District
Hazle Township, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hazleton Area School District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2025.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Klacik & Associates, P.C.

Shamokin, Pennsylvania
December 12, 2025

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

Members of the School Board
Hazleton Area School District
Hazle Township, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hazleton Area School District's (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Hazleton Area School District's (the "District") major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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 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 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 each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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.

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 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.

Klucik & Associates, P.C.

Shamokin, Pennsylvania
December 12, 2025

HAZLETON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal and Certain State Awards
For the Year Ended June 30, 2025

Grantor/Program Title	Source Code	Pass Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received	Accrued (Deferred) Revenue At July 1, 2024	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue At June 30, 2025	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
<u>Passed Through PA Department of Public Welfare</u>										
Medical Assistance Program	I	93.778	N/A	N/A	\$ 177,823	\$ (317,835)	\$ 230,912	\$ 230,912	\$ (264,747)	
COVID-19 Public Health Workforce	I	93.354	160-230028	07/01/22-06/30/24	181,339	37,779	-	-	-	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					181,339	359,162	(280,056)	230,912	230,912	(264,747)
U.S. DEPARTMENT OF TREASURY										
<u>Passed Through PA Commission on Crime and Delinquency</u>										
Coronavirus state and local fiscal recovery funds	I	21.027	2023-CM-01-44017	07/01/24-06/30/26	70,000	57,125	-	58,806	58,806	1,681
Coronavirus state and local fiscal recovery funds	I	21.027	2023-CM-01-43234	11/1/24-12/31/25	251,289	122,108	-	188,752	188,752	66,644
TOTAL U.S. DEPARTMENT OF TREASURY					321,289	179,233	-	247,558	247,558	68,325
U.S. DEPARTMENT OF EDUCATION										
<u>Passed Through PA Department of Education</u>										
Program Improvement - Setaside	I	84.010	042-230187	06/29/23-09/30/24	686,695	686,695	128,755	-	-	-
Program Improvement - Setaside	I	84.010	042-240187	07/01/24-09/30/25	813,966	759,702	-	813,966	813,966	54,264
E.S.E.A. Title I	I	84.010	013-240187	07/01/23-09/30/24	5,649,199	5,649,199	12	-	-	-
E.S.E.A. Title I	I	84.010	013-250187	07/01/24-09/30/25	5,579,178	5,213,159	-	5,579,178	5,579,178	366,019
TOTAL TITLE I CLUSTER					12,729,038	12,308,755	128,767	6,393,144	6,393,144	420,283
Title II Supporting Effective Instruction	I	84.367	020-240187	07/01/23-09/30/24	505,638	505,638	1,025	-	-	-
Title II Supporting Effective Instruction	I	84.367	020-250187	07/01/24-09/30/25	552,988	546,745	-	552,988	552,988	6,243
TOTAL TITLE II					1,058,626	1,052,383	1,025	552,988	552,988	6,243
Title III English Language Acquisition	I	84.365	010-240187	07/01/23-09/30/24	597,888	597,888	11,094	-	-	-
Title III English Language Acquisition	I	84.365	010-250187	07/01/24-09/30/25	604,168	563,890	-	604,168	604,168	40,278
TOTAL TITLE III					1,202,056	1,161,778	11,094	604,168	604,168	40,278
Title IV Student Support and Academic Enrichment	I	84.424	144-240187	07/01/23-09/30/24	445,970	445,970	208,119	-	-	-
Title IV Student Support and Academic Enrichment	I	84.424	144-250187	07/01/24-09/30/25	425,501	226,934	-	425,501	425,501	198,567
Title IV Stronger Connections Grant (SCG) Program	I	84.424	244-240187	04/29/24-09/30/26	1,833,360	305,560	-	1,423,630	1,423,630	1,118,070
TOTAL TITLE IV					2,704,831	978,464	208,119	1,849,131	1,849,131	1,316,637
Career and Technical Education	I	84.048	380-250003	07/01/24-06/30/25	269,183	201,887	-	269,183	269,183	67,296
COVID-19 ARP ESSER	I	84.425U	223-210187	03/13/20-09/30/24	34,484,901	34,484,901	(1,751,512)	3,632,507	3,632,507	-
COVID-19 ARP ESSER 7% - Learning Loss	I	84.425U	225-210187	03/13/20-09/30/24	1,914,466	1,914,466	65,014	39,414	39,414	-
COVID-19 ARP ESSER 7% - Summer Programs	I	84.425U	225-210187	03/13/20-09/30/24	382,893	382,893	(16,266)	37,151	37,151	-
COVID-19 ARP ESSER 7% - Afterschool Programs	I	84.425U	225-210187	03/13/20-09/30/24	382,893	382,893	(19,024)	39,907	39,907	-
COVID-19 ARP ESSER 2.5% - Emergency Relief for Other Ed.	I	84.425U	224-211159	03/13/20-09/30/24	457,588	457,588	343,991	80,318	80,318	-
COVID-19 ARP ESSER - Homeless Children & Youth	I	84.425W	181-212181	07/01/21-09/30/24	100,195	100,195	2,569	-	-	-
TOTAL EDUCATION STABILIZATION FUND					37,722,936	37,722,936	(1,375,228)	3,829,297	3,829,297	-

See Notes to Financial Statements

HAZLETON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal and Certain State Awards
For the Year Ended June 30, 2025

Grantor/Program Title	Source Code		Pass Through Grantor's Number	Grant Period Beginning\ Ending Date	Program or Award Amount	Total Received	Accrued (Deferred) Revenue At July 1, 2024	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue At June 30, 2025
Special Education - IDEA, Part B	I	84.027	131-230018	07/01/23-06/30/24	\$ 956,983	\$ 956,986	\$ 478,494	\$ -	\$ -	\$ -
Special Education - IDEA, Part B	I	84.027	131-240018	07/01/24-06/30/25	990,384	839,325	-	990,384	990,384	151,059
COVID-19 ARP - Special Education - IDEA, Part B	I	84.027	232-210018	07/01/21-09/30/22	165,577	165,577	110,385	-	-	-
Special Education - IDEA Preschool Grants	I	84.173	131-230018	07/01/23-06/30/24	223,899	223,899	111,946	-	-	-
Special Education - IDEA Preschool Grants	I	84.173	131-240018	07/01/24-06/30/25	234,297	198,568	-	234,297	234,297	35,729
<u>Passed Through Luzerne Intermediate Unit 18</u>										
Special Education - IDEA, Part B	I	84.027	N/A	07/01/23-06/30/24	297,074	297,074	297,074	-	-	-
Special Education - IDEA, Part B	I	84.027	N/A	07/01/23-06/30/24	984,950	984,950	984,950	-	-	-
Special Education - IDEA, Part B	I	84.027	N/A	07/01/24-06/30/25	306,024	-	-	306,024	306,024	306,024
Special Education - IDEA, Part B	I	84.027	N/A	07/01/24-06/30/25	1,112,229	-	-	1,112,229	1,112,229	1,112,229
TOTAL SPECIAL EDUCATION CLUSTER					5,271,417	3,666,379	1,982,849	2,642,934	2,642,934	1,605,041
<u>Direct from U.S. Department of Education</u>										
Direct Student Loans	D	84.268	N/A	07/01/24-06/30/25	N/A	46,092	-	46,092	46,092	-
Federal Pell Grant Program	D	84.063	N/A	07/01/24-06/30/25	N/A	58,057	-	58,057	58,057	-
TOTAL U.S. DEPARTMENT OF EDUCATION						57,196,731	956,626	16,244,994	16,244,994	3,455,778
U.S. DEPARTMENT OF AGRICULTURE										
<u>Passed Through PA Department of Agriculture</u>										
National School Lunch Program	I	10.555	N/A	07/01/24-06/30/25	N/A	546,122	(32,156)	533,862	533,862	(44,416)
<u>Passed Through PA Department of Education</u>										
National School Lunch Program	I	10.555	64-000 (Fed)	07/01/24-06/30/25	N/A	7,156,056	174,344	7,162,961	7,162,961	181,249
National School Lunch Program	S		(State)	07/01/24-06/30/25	N/A	218,630	5,447	218,628	218,628	5,444
School Breakfast Program	I	10.553	N/A (Fed)	07/01/24-06/30/25	N/A	1,957,907	47,501	1,960,830	1,960,830	50,425
School Breakfast Program	S		(State)	07/01/24-06/30/25	N/A	69,563	1,755	69,596	69,596	1,788
TOTAL CHILD NUTRITION CLUSTER						9,402,156	229,047	9,412,015	9,412,015	238,906
Child and Adult Care Food Program	I	10.558	N/A (Fed)	07/01/24-06/30/25	N/A	38,166	-	38,166	38,166	-
Fresh Fruits and Vegetables	I	10.582	N/A (Fed)	07/01/24-06/30/25	N/A	208,812	-	208,812	208,812	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						10,195,256	196,891	10,192,855	10,192,855	194,490
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE						67,930,382	873,461	26,916,319	26,916,319	3,453,846
LESS STATE SHARE						(288,193)	(7,202)	(288,224)	(288,224)	(7,232)
TOTAL FEDERAL FINANCIAL ASSISTANCE						\$ 67,642,189	\$ 866,259	\$ 26,628,095	\$ 26,628,095	\$ 3,446,614

Source Codes

- D = Direct Funding
- I = Indirect Funding
- S = State Funding

Hazleton Area School District
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

NOTE 1 – BASIS OF ACCOUNTING

The schedule of expenditures of federal and certain state awards of the Hazleton Area School District are presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Union Grant Guidance. Therefore, some amounts may differ from amounts presented in, or used in the presentation of the basic financial statements.

NOTE 2 – INDIRECT COST RATES

The school district has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance. Section 414.

NOTE 3 – IDENTIFICATION OF MAJOR PROGRAMS

As shown on the accompanying *Schedule of Findings and Questioned Costs*, the dollar threshold used to distinguish between type A and type B programs were seven hundred ninety-eight thousand eight hundred forty three (\$798,843) dollars. The District had three major programs, Title I, which is CFDA number 84.010 with total federal expenditures of \$6,393,144 which covers 24.0% of federal expenditures, Title IV, which is CFDA number 84.424 with total expenditures of \$1,849,131 which covers 6.9% of federal expenditures, and Education Stabilization Fund, which is CFDA number 84.425 with total expenditures of \$3,827,297, which covers 14.4% of federal expenditures.

NOTE 4 – RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

Reconcile to the District's Revenues per the Statement of Revenues, Expenditure and Changes in Fund Balance (Net Position)	
Federal - General Fund	\$ 16,852,808
Federal - Food Service	9,904,631
Total Per Financial Statements	26,757,439
Less: Medical Assistance payments not recorded on SEFA	1,177,380
Less: Other Funds reported under federal revenue not required on SEFA	474,368
Add: Other Funds Recognized in Local Revenues	104,151
Add: IDEA Funds recognized in Local Revenues	1,418,253
Total Revenue Recognized per Schedule of Expenditures of Federal Awards	\$ 26,628,095

Hazleton Area School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: UNMODIFIED

Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no

Significant deficiency(ies)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes X no

Significant deficiency(ies)? _____ yes X none reported

Type of auditor’s report issued on compliance for the major programs: UNMODIFIED

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.424	Title IV
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$798,843

Auditee qualified as low-risk auditee? X yes _____ no

Hazleton Area School District
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

There were no prior year finding or questioned costs as of June 30, 2024.