



LOWER DAUPHIN SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2025



Brown Plus

ACCOUNTANTS + ADVISORS

LOWER DAUPHIN SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2025

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YEAR ENDED JUNE 30, 2025

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Independent Auditor's Report

Board of School Directors
Lower Dauphin School District
Hummelstown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025 on our consideration of Lower Dauphin School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Dauphin School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown Plus". The script is cursive and fluid.

Camp Hill, Pennsylvania
December 9, 2025

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

The discussion and analysis of Lower Dauphin School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The District is required to record its share of the Pennsylvania Public School Employees' Retirement System (PSERS) unfunded net pension liability. The District's portion of this liability decreased \$4,183,000 from the prior year to \$77,850,000 and has been reported on its government-wide financial statements. The District is also required to record liabilities related to other postemployment benefits (OPEB) as required by Governmental Accounting Standards Board (GASB) Statement No. 75. For 2024-2025, these liabilities increased \$2,328,344 from the prior year to \$16,350,091. The recognition of these pension and OPEB liabilities causes the District's total liabilities and deferred inflows to exceed its total assets and deferred outflows as of June 30, 2025, generating a net deficit for the governmental activities of \$(19,109,698).

In March 2025, the District issued the General Obligation Bonds, Series of 2025, in the amount of \$13,890,000 to finance the renovation and replacement of the HVAC systems at the elementary schools and middle school, upgrades to the athletic facility and pay the related costs, including the costs of issuing the bonds.

As of June 30, 2025, the District's unassigned fund balance was \$5,222,843, which represents 6.30% of the budgeted expenditures and other financing uses for the 2025-2026 fiscal year.

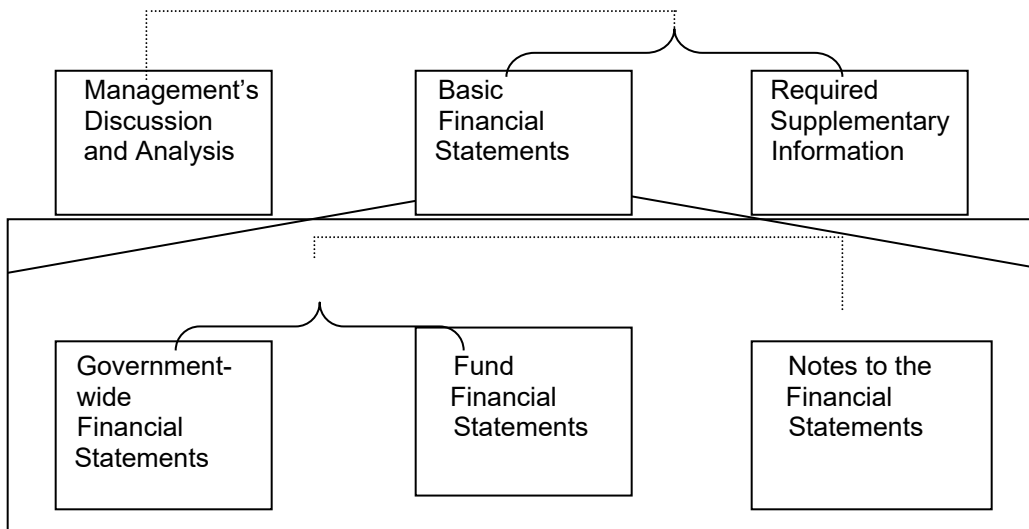
USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position (deficit) and the statement of activities provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds' statements indicate how general District services were financed in the short-term, as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or custodian for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

Required Components of Lower Dauphin School District's Financial Report



LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

The following summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major features of Lower Dauphin School District's
Government-wide and fund financial statements

	Government-wide statements	Fund statements		
		Governmental funds	Proprietary funds	Fiduciary funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food Service Fund	Instances in which the District is the trustee or custodian to someone else's resources - Scholarship Funds and Student Activity Funds
Required financial statements	Statement of net position (deficit) Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow- outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

The two government-wide statements report the District's net position (deficit) and how they have changed. Net position (deficit), the difference between the District's assets and deferred outflows minus liabilities and deferred inflows, is one way to measure the District's financial health or net position (deficit).

Over time, increases or decreases in the District's net position (deficit) are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business-type activities – The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, which are included with the basic financial statements, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position (deficit) and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position and changes in financial position and a significant portion of funding is through user charges. When the District charges customers for services it provides, these services are generally reported in proprietary funds. The Food Service Fund is the District's only proprietary fund.

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

Fund Financial Statements (continued)

Fiduciary funds – The District is the trustee, or fiduciary, for scholarship funds and student activity funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position (deficit) was \$(18,205,116) and \$(22,303,487) at June 30, 2025 and 2024, respectively, per the following schedule.

	June 30					
	Net position (deficit)					
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Assets and deferred outflows:						
Current and other assets	\$ 39,882,621	\$ 24,470,322	\$ 1,019,170	\$ 1,008,444	\$ 40,901,791	\$ 25,478,766
Capital assets	54,213,235	55,514,747	-	-	54,213,235	55,514,747
Deferred outflows of resources	17,320,476	14,219,564	-	-	17,320,476	14,219,564
Total assets and deferred outflows of resources	\$ 111,416,332	\$ 94,204,633	\$ 1,019,170	\$ 1,008,444	\$ 112,435,502	\$ 95,213,077
Liabilities and deferred inflows:						
Current liabilities	\$ 10,283,793	\$ 12,126,248	\$ 114,588	\$ 131,799	\$ 10,398,381	\$ 12,258,047
Long-term liabilities	111,223,821	97,549,532	-	-	111,223,821	97,549,532
Deferred inflows of resources	9,018,416	7,708,985	-	-	9,018,416	7,708,985
Total liabilities and deferred inflows of resources	130,526,030	117,384,765	114,588	131,799	130,640,618	117,516,564
Net position (deficit):						
Net investment in capital assets	54,213,235	52,371,985	-	-	54,213,235	52,371,985
Restricted	2,198,243	2,144,959	-	-	2,198,243	2,144,959
Unrestricted	(75,521,176)	(77,697,076)	904,582	876,645	(74,616,594)	(76,820,431)
Total net position (deficit)	(19,109,698)	(23,180,132)	904,582	876,645	(18,205,116)	(22,303,487)
Total liabilities, deferred inflows and net position (deficit)	\$ 111,416,332	\$ 94,204,633	\$ 1,019,170	\$ 1,008,444	\$ 112,435,502	\$ 95,213,077

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are deducted to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

The following takes the information from that statement and rearranges it slightly, so you can see total revenues for the year.

Fiscal year ended June 30						
Changes in net position						
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 70,166	\$ 75,699	\$ 957,849	\$ 976,416	\$ 1,028,015	\$ 1,052,115
Operating grants and contributions	14,982,505	15,719,301	1,127,679	1,223,928	16,110,184	16,943,229
General revenues:						
Property taxes	35,996,713	33,747,639	-	-	35,996,713	33,747,639
Other taxes	11,170,754	9,107,126	-	-	11,170,754	9,107,126
Grants subsidies, unrestricted	13,994,751	13,567,776	-	-	13,994,751	13,567,776
Other	1,453,643	1,376,252	44,634	47,597	1,498,277	1,423,849
Total revenues	77,668,532	73,593,793	2,130,162	2,247,941	79,798,694	75,841,734
Expenses:						
Instructional services	48,244,157	46,227,262	-	-	48,244,157	46,227,262
Support services	23,030,985	21,664,851	-	-	23,030,985	21,664,851
Noninstructional services	2,322,956	1,208,270	-	-	2,322,956	1,208,270
Food service	-	-	2,102,225	2,138,915	2,102,225	2,138,915
Total expenses	73,598,098	69,100,383	2,102,225	2,138,915	75,700,323	71,239,298
Changes in net position	\$ 4,070,434	\$ 4,493,410	\$ 27,937	\$ 109,026	\$ 4,098,371	\$ 4,602,436

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

The following presents the expenses of both the governmental activities and the business-type activities of the District, as well as each program's net cost (total cost less revenues generated by the activities). The net costs are offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Fiscal year ended June 30				
Governmental activities				
Function/programs	Total cost of services		Net cost of services	
	2025	2024	2025	2024
Regular instruction	\$ 29,659,352	\$ 28,642,371	\$ 24,955,042	\$ 24,571,316
Special instruction	14,008,403	13,185,937	9,090,915	8,188,347
Vocational instruction	3,061,981	3,007,018	2,875,744	2,813,288
Other instructional programs	1,300,626	1,183,994	602,724	323,805
Community college	196,327	191,539	196,327	191,539
Pre-kindergarten	17,468	16,403	14,927	2,434
Pupil personnel	2,864,945	2,775,517	2,415,497	2,330,536
Instructional staff	3,843,705	2,795,625	3,509,687	2,529,637
Administration	4,285,826	4,382,356	3,797,242	3,898,307
Pupil health	965,802	853,469	788,768	685,984
Business services	656,718	678,396	583,763	605,587
Operation of plant and maintenance	6,604,060	6,219,566	6,216,315	4,525,126
Student transportation services	3,271,855	3,400,103	1,595,938	1,834,994
Central	497,898	520,931	445,333	462,075
Other support services	40,176	38,888	40,176	38,888
Student activities	1,222,766	1,151,741	1,093,312	1,020,371
Community services	13,014	9,730	8,122	5,495
Architectural and engineering services	680,190	-	680,190	-
Debt service, interest	406,986	46,799	(364,595)	(722,346)
Total governmental activities	\$ 73,598,098	\$ 69,100,383	58,545,427	53,305,383
Unrestricted grants, subsidies			(13,994,751)	(13,567,776)
Total needs from local taxes and other revenues			\$ 44,550,676	\$ 39,737,607

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

Fiscal year ended June 30
Business-type activities

Function/programs	Total cost of services		Net cost of services	
	2025	2024	2025	2024
Food services	\$ 2,102,225	\$ 2,138,915	\$ 16,697	\$ (61,429)
Other			(44,634)	(47,597)
Total business-type activities			<u>\$ (27,937)</u>	<u>\$ (109,026)</u>

The statement of revenues, expenses and changes in fund net position (deficit) for the proprietary fund will further detail the results of operations.

THE DISTRICT'S FUNDS

The 2024-25 General Fund budget includes athletic activities and projected an excess of expenditures and other financing uses over revenues by \$4,677,583. The final results of operations resulted in an excess of expenditures and other financing uses over revenues by \$312,864, with an ending fund balance of \$12,450,289. The Board of School Directors (the Board) has committed \$2,500,000 of fund balance for facilities and employee benefit increases. The assigned fund balance of \$4,697,446 includes \$3,898,962 used to balance the 2025-26 budget, \$715,471 for future Dauphin County Technical School (DCTS) use and \$83,013 assigned for future turf field use. The nonspendable fund balance of \$30,000 represents inventories. The remaining unassigned fund balance is \$5,222,843, which is 6.30% of the 2025-26 budgeted expenditures and other financing uses.

Budget-to-Actual Comparison

Revenues

For the year ended June 30, 2025, the revenues are over budget by \$2,435,192. Local revenues are over budget by \$1,957,263. Current real estate tax collections exceeded budget by \$425,526, and interim real estate taxes are under budget by \$215,161. Act 511 earned income taxes exceeded budget by \$286,128, and real estate transfer taxes exceeded budget by \$1,638,836 due to warehouses that were sold during the year. Interest on investments exceeded budget by \$114,627. Delinquent taxes in total were under budget by \$75,331. In state funding, the revenue is over budget by \$626,881. Basic education funding is under budget by \$524,968 since the state added ready to learn adequacy funding of \$860,343. Special education funding exceeded budget by \$149,325. Social Security and retirement combined are under budget by \$272,733. The District received a grant for school safety and security which generated \$116,418 in state revenue. Federal revenues are under budget by \$148,952 primarily due to a grant that was extended into next year.

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

Budget-to-Actual Comparison (continued)

Expenditures and other financing uses

For the year ended June 30, 2025, the expenditures and other financing uses are \$78,350,473 and under budget by \$1,929,527. Salaries are \$617,117 under budget of which \$340,858 is from office clerical salaries. Instructional aides are also under budget \$387,678 from vacant positions. Social Security and retirement payments are under budget in total by \$438,574 due to salaries being under budget and pretax deductions and some wage payments not being eligible for retirement. Medical insurance totaled \$7,711,748 and is under budget by \$1,230,340. The District is self-funded for medical insurance. Purchased Intermediate Unit services are over budget by \$471,957, and professional services for substitute payments and the filling of vacant instructional aides is over budget by \$394,927. Other professional and technical services are under budget by \$437,024. Contracted transportation expenditures are under budget by \$381,425. Tuitions paid to charter schools totaled \$3,356,292 and is over budget by \$1,056,292. Electricity is over budget by \$196,736, and equipment is under budget \$257,828.

Current Year – Prior Year Comparison

Expenditures and other financing uses

Salaries increased in 2024-25 over the prior year by \$1,024,236 due to scheduled increases for all staff, along with positions that were added.

Medical insurance benefit costs decreased by \$177,295. The District has sufficient funds in its self-insurance account to cover 45 days of claims, which at June 30, 2025 is \$1,433,233. Contributions to PSERS increased by \$365,534, or 3.6%, over the prior year. The PSERS established contribution rate changed from 34.00% to 33.90% for the District and is mandatory. Professional services increased \$317,736 due to substitute coverage. Other professional and technical services decreased by \$386,121. Tuitions paid to charter schools increased \$783,268. Supplies increased \$808,346 and books increased \$237,349 due to the implementation of new curriculum. Equipment decreased by \$1,653,559 due to the federal funds that were used in the prior year. In total, expenditures increased over the prior year by \$1,990,395.

In total, actual budgetary activities for special education services in 2024-25 were \$14,126,646, an increase over the prior year of \$874,941. Salaries increased \$181,968, and benefits increased \$75,760. Purchased services increased \$276,827. Other purchased services which includes tuition paid for services outside the District increased by \$312,043. The District's special education population has increased from 10.28% of the total population in 1996-97 to 19.7% of the total population in 2024-25.

The operation and maintenance of plant for 2024-25 totaled \$8,174,959 for actual budgetary activities. This is a decrease of \$1,012,426 compared to the prior year, primarily from the equipment decrease of \$1,518,820 which included boiler replacements at the Middle School and Nye Elementary School, and roof replacement at Londonderry Elementary School in the prior year.

Debt service costs increased \$8,254 in 2024-25 based on scheduled payments of principal and interest for the General Obligation Note for the Series of 2021.

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

Current Year – Prior Year Comparison (continued)

Revenues

The District's actual budgetary activities for revenue for the fiscal year totaled \$78,037,609, an increase of \$4,229,203 from the previous year. Local sources increased \$4,372,792 over the previous year. Current real estate taxes increased \$3,865,744 due to increases in assessed values and a 6.5% tax increase. Interim real estate taxes decreased \$1,314,913. Collections for current Act 511 earned income taxes increased \$206,842 and real estate transfer taxes increased \$1,771,511. Delinquent tax collections increased in total by \$120,555. Interest on investments decreased \$99,103. State sources increased by \$2,107,901, which reflects an increase in the basic education funding of \$270,569, and special education funding increase of \$149,437. Ready to learn adequacy funding of \$860,343 was added, and the state property tax reduction allocation increased \$342,926. Federal revenue decreased by \$2,251,490, primarily from the end of ESSER funding which is a decrease of \$2,326,372. The District received grants from ESSER - Elementary and Secondary School Emergency Relief Fund under ESSER II, ESSER III and ARP ESSER in the prior year.

General Fund Budget

During the fiscal year, the Board authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District.

All adjustments are again confirmed at the time the annual audit is accepted, which falls after the end of the fiscal year and is not prohibited by state law.

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the District's governmental activities' capital assets showed an increase of \$1,452,430 to \$137,127,084. Capital assets include land, buildings, construction in progress and furniture and equipment.

The following provides a breakdown of the capital assets and the accumulated depreciation as of June 30, 2025 and 2024.

June 30, 2025 and 2024
Governmental activities
Capital assets

	<u>2025</u>	<u>2024</u>
Land	\$ 530,467	\$ 530,467
Construction in progress		
Site improvements	10,439,161	10,275,201
Building and improvements	104,160,845	103,142,586
Machinery and equipment	<u>21,996,611</u>	<u>21,726,400</u>
	137,127,084	135,674,654
Accumulated depreciation	<u>(82,913,849)</u>	<u>(80,159,907)</u>
	<u><u>\$ 54,213,235</u></u>	<u><u>\$ 55,514,747</u></u>

Debt Administration

On May 10, 2021, the District issued a General Obligation Note, Series of 2021 for \$13,495,000 to refund the General Obligation Bonds, Series of 2012 for \$2,400,000; General Obligation Note, Series of 2015 for \$4,158,000; General Obligation Note, Series A of 2015 for \$4,169,000 and General Obligation Note, Series of 2019 for \$2,665,000. The District made principal payments of \$3,494,000 on the Series of 2021 note during 2024-25. The note was paid off in September 2024.

In March 2025, the District issued the General Obligation Bonds, Series of 2025, in the amount of \$13,890,000 to finance the renovation and replacement of the HVAC systems at the elementary schools and middle school, upgrades to the athletic facility and pay the related costs, including the costs of issuing the bonds. Principal payments will be due in varying amounts through September 2049, and interest rates range from 2.83% to 4.20%. The principal balance outstanding at June 30, 2025 was \$13,890,000.

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

Debt Administration (continued)

The following schedule provides the outstanding balances of the District's note issue as of June 30, 2025 and 2024.

Outstanding debt

	2025	2024
Note, Series of 2021	\$ -	\$ 3,494,000
Bonds, Series of 2025	<u>13,890,000</u>	<u>-</u>
Total	<u>\$ 13,890,000</u>	<u>\$ 3,494,000</u>

Other obligations include accrued compensated absences (vacation pay, sick leave and personal days) for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District adopted a \$82,920,000 budget for 2025-26, which is a 3.29% increase compared to the 2024-25 budget with a 4.8% tax increase.

The District's student population is projected to remain consistent. Housing developments and apartment complexes along with commercial properties are adding to the assessed real estate tax base. Enrollment projections indicate that student enrollment could remain steady or decrease slightly. The residential construction is designed for families with children. These enrollment projections are a key factor in the past renovations and additions to the District's facilities. A facility study took place during the 2024-25 school year for potential facility improvements.

The revenue budget for the 2025-26 year is \$3,418,621 higher than the revenue budget for 2024-25. This represents a 4.52% increase in budgeted revenues. Local revenues increased \$2,142,325. Current real estate taxes increased \$1,862,087 due to growth in assessed value and the 4.8% tax increase. Current Act 511 earned income taxes increased \$200,000. State revenue increased by \$1,329,123. Basic education funding decreased \$449,980 since ready to learn foundation was added for \$860,543 and ready to learn adequacy was added for \$430,282. Special education funding increased \$185,246. As a requirement of the Taxpayer Relief Act, Special Session Act 1 of 2006, the District decreased the local real estate tax revenue and included the state revenue function for the state property tax reduction allocation of \$2,351,451, which is \$306,601 higher than 2024-25. The PSERS rate applied to salary increases is generating \$167,463 more revenue. Federal/other revenue decreased by \$52,827.

LOWER DAUPHIN SCHOOL DISTRICT
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025

The expenditures and other financing uses budget for the 2025-26 year is \$2,640,000 higher than the expenditures and other financing uses budget for 2024-25. Factors for this include increases in salaries of \$891,352 and benefit increases of \$958,853. Medical insurance increased \$606,938, and PSERS increased \$334,927. Professional services for substitutes increased \$252,000, and intermediate unit services increased \$482,400. Charter schools increased \$850,000. Equipment decreased \$142,099. Debt service transfers decreased \$2,830,081 due to scheduled payments for principal and interest, and a capital reserve fund transfer was added for \$2,121,275.

The comparison of revenue and expenditure categories is as follows:

Budgeted revenues

	<u>2025-26</u>		<u>2024-25</u>	
Local	\$ 50,044,491	63.3 %	\$ 47,902,166	63.4 %
State	28,171,291	35.7	26,842,168	35.5
Federal/other	<u>805,256</u>	<u>1.0</u>	<u>858,083</u>	<u>1.1</u>
Total	<u>\$ 79,021,038</u>	<u>100.0 %</u>	<u>\$ 75,602,417</u>	<u>100.0 %</u>

Budgeted expenditures and other financing uses

	<u>2025-26</u>		<u>2024-25</u>	
Instruction	\$ 51,770,439	62.4 %	\$ 49,267,801	61.4 %
Support services	26,706,974	32.2	25,844,754	32.2
Operation of noninstructional services	1,245,087	1.5	1,239,139	1.5
Other financing uses	<u>3,197,500</u>	<u>3.9</u>	<u>3,928,306</u>	<u>4.9</u>
	<u>\$ 82,920,000</u>	<u>100.0 %</u>	<u>\$ 80,280,000</u>	<u>100.0 %</u>

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Michelle D. Shuler, Business Manager of the Lower Dauphin School District, 291 East Main Street, Hummelstown, PA 17036 (717-566-5323).

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental activities	Business-type activities	Total
	<u> </u>	<u> </u>	<u> </u>
Current assets:			
Cash, cash equivalents and equity in pooled cash and investments:			
Unrestricted	\$ 11,581,045	\$ 976,141	\$ 12,557,186
Restricted	16,300,864	-	16,300,864
Investments:			
Unrestricted	6,019,458	-	6,019,458
Restricted	379,770	-	379,770
Taxes receivable, net	1,403,403	-	1,403,403
Due from other governments	4,044,860	16,699	4,061,559
Other receivables, net	103,806	-	103,806
Inventory	30,000	26,330	56,330
	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u>39,863,206</u>	<u>1,019,170</u>	<u>40,882,376</u>
Noncurrent assets:			
Bond insurance costs, net of amortization	19,415	-	19,415
Capital assets:			
Land	530,467	-	530,467
Site improvements	10,439,161	-	10,439,161
Buildings and improvements	104,160,845	-	104,160,845
Machinery and equipment	21,996,611	1,062,697	23,059,308
Accumulated depreciation	(82,913,849)	(1,062,697)	(83,976,546)
	<u> </u>	<u> </u>	<u> </u>
Total noncurrent assets	<u>54,232,650</u>	<u>-</u>	<u>54,232,650</u>
Total assets	<u>94,095,856</u>	<u>1,019,170</u>	<u>95,115,026</u>
Deferred outflows of resources:			
Pensions	12,197,000	-	12,197,000
Other postemployment benefits	4,671,476	-	4,671,476
Other postemployment benefits (HIPAP)	452,000	-	452,000
	<u> </u>	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>17,320,476</u>	<u>-</u>	<u>17,320,476</u>
Total assets and deferred outflows of resources	<u>\$ 111,416,332</u>	<u>\$ 1,019,170</u>	<u>\$ 112,435,502</u>

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)

	Governmental activities	Business-type activities	Total
Current liabilities:			
Accounts payable	\$ 1,777,423	\$ 47,520	\$ 1,824,943
Current portion of:			
Tax reassessment liability	273,369	-	273,369
Bond payable	5,000	-	5,000
Accrued:			
Salaries and benefits	8,048,992	-	8,048,992
Interest	179,009	-	179,009
Unearned revenue	-	67,068	67,068
Total current liabilities	10,283,793	114,588	10,398,381
Noncurrent liabilities:			
Tax reassessment liability	546,737	-	546,737
Compensated absences	1,494,614	-	1,494,614
Net pension liability	77,850,000	-	77,850,000
Other postemployment benefits	13,048,091	-	13,048,091
Other postemployment benefits (HIPAP)	3,302,000	-	3,302,000
Bond payable, net	14,982,379	-	14,982,379
Total noncurrent liabilities	111,223,821	-	111,223,821
Total liabilities	121,507,614	114,588	121,622,202
Deferred inflows of resources:			
Pensions	3,075,000	-	3,075,000
Other postemployment benefits	5,279,416	-	5,279,416
Other postemployment benefits (HIPAP)	664,000	-	664,000
Total deferred inflows of resources	9,018,416	-	9,018,416
Net position (deficit):			
Net investment in capital assets	54,213,235	-	54,213,235
Restricted	2,198,243	-	2,198,243
Unrestricted	(75,521,176)	904,582	(74,616,594)
Total net position (deficit)	(19,109,698)	904,582	(18,205,116)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 111,416,332	\$ 1,019,170	\$ 112,435,502

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2025

		Program revenues		Net (expense) revenue and changes in net position		
		Charges for	Operating	Governmental	Business-type	Total
Expenses		services	grants and contributions	activities	activities	
Governmental activities:						
Instructional services:						
Regular	\$ 29,659,352	\$ -	\$ 4,704,310	\$(24,955,042)	\$ -	\$(24,955,042)
Special	14,008,403	-	4,917,488	(9,090,915)	-	(9,090,915)
Vocational	3,061,981	-	186,237	(2,875,744)	-	(2,875,744)
Other instructional programs	1,300,626	-	697,902	(602,724)	-	(602,724)
Community/junior college instructional programs	196,327	-	-	(196,327)	-	(196,327)
Pre-kindergarten	17,468	-	2,541	(14,927)	-	(14,927)
Total instructional services	48,244,157	-	10,508,478	(37,735,679)	-	(37,735,679)
Support services:						
Pupil personnel	2,864,945	-	449,448	(2,415,497)	-	(2,415,497)
Instructional staff	3,843,705	-	334,018	(3,509,687)	-	(3,509,687)
Administration	4,285,826	-	488,584	(3,797,242)	-	(3,797,242)
Pupil health	965,802	-	177,034	(788,768)	-	(788,768)
Business services	656,718	-	72,955	(583,763)	-	(583,763)
Operation of plant and maintenance	6,604,060	-	387,745	(6,216,315)	-	(6,216,315)
Student transportation services	3,271,855	-	1,675,917	(1,595,938)	-	(1,595,938)
Central	497,898	-	52,565	(445,333)	-	(445,333)
Other support services	40,176	-	-	(40,176)	-	(40,176)
Total support services	23,030,985	-	3,638,266	(19,392,719)	-	(19,392,719)
Noninstructional services:						
Student activities	1,222,766	70,166	59,288	(1,093,312)	-	(1,093,312)
Community services	13,014	-	4,892	(8,122)	-	(8,122)
Architectural and engineering services	680,190	-	-	(680,190)	-	(680,190)
Other financing uses, debt service, interest and bond issuance costs	406,986	-	771,581	364,595	-	364,595
Total noninstructional services	2,322,956	70,166	835,761	(1,417,029)	-	(1,417,029)

(continued)

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES (CONTINUED) YEAR ENDED JUNE 30, 2025

	Program revenues		Net (expense) revenue and changes in net position			
		Operating				
Expenses	Charges for services	grants and contributions	Governmental activities	Business-type activities	Total	
Total governmental activities	\$ 73,598,098	\$ 70,166	\$ 14,982,505	\$(58,545,427)	\$ -	\$(58,545,427)
Business-type activities, food service	2,102,225	957,849	1,127,679	-	(16,697)	(16,697)
Total primary government	\$ 75,700,323	\$ 1,028,015	\$ 16,110,184	(58,545,427)	(16,697)	(58,562,124)
General revenues:						
Taxes:						
Property, etc.			35,996,713	-		35,996,713
Other			11,170,754	-		11,170,754
Grants, subsidies, other nonrestricted			13,994,751	-		13,994,751
Contributions and donations			-	6,847		6,847
Interest			1,329,358	37,787		1,367,145
Loss on disposition of capital assets			(1,692)	-		(1,692)
Miscellaneous			125,977	-		125,977
Total general revenues			62,615,861	44,634		62,660,495
Change in net position			4,070,434	27,937		4,098,371
Net position (deficit):						
July 1, 2024			(23,180,132)	876,645		(22,303,487)
June 30, 2025			\$(19,109,698)	\$ 904,582		\$(18,205,116)

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS – JUNE 30, 2025

ASSETS

	Major funds			Total governmental funds
	General Fund	Capital projects fund	Nonmajor funds	
Assets:				
Cash, cash equivalents and equity in pooled cash and investments:				
Unrestricted	\$ 11,581,045	\$ -	\$ -	\$ 11,581,045
Restricted	-	14,482,391	1,818,473	16,300,864
Investments	6,019,458	-	379,770	6,399,228
Taxes receivable, net	1,403,403	-	-	1,403,403
Due from other governments	4,044,860	-	-	4,044,860
Other receivables, net	103,806	-	-	103,806
Inventory	30,000	-	-	30,000
Total assets	\$ 23,182,572	\$ 14,482,391	\$ 2,198,243	\$ 39,863,206

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 1,508,183	\$ 269,240	\$ -	\$ 1,777,423
Accrued salaries and benefits	8,048,992	-	-	8,048,992
Total liabilities	9,557,175	269,240	-	9,826,415
Deferred inflows of resources, unavailable revenue	1,175,108	-	-	1,175,108
Fund balances:				
Nonspendable, inventory	30,000	-	-	30,000
Restricted	-	14,213,151	2,198,243	16,411,394
Committed	2,500,000	-	-	2,500,000
Assigned	4,697,446	-	-	4,697,446
Unassigned	5,222,843	-	-	5,222,843
Total fund balances	12,450,289	14,213,151	2,198,243	28,861,683
Total liabilities, deferred inflows of resources and fund balances	\$ 23,182,572	\$ 14,482,391	\$ 2,198,243	\$ 39,863,206

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2025

Total fund balances, governmental funds	\$ 28,861,683
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$137,127,084, and the accumulated depreciation is \$82,913,849.	54,213,235
Certain property taxes receivable will be collected subsequent to year end, but are not a current financial resource and, therefore, are unavailable in the funds.	1,175,108
Net pension, net other postemployment benefits and net other postemployment benefits (HIPAP) obligations are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(77,850,000)
Net other postemployment benefits liability	(13,048,091)
Net other postemployment benefits (HIPAP) liability	(3,302,000)
Deferred outflows and inflows of resources related to pensions, other postemployment benefits and other postemployment benefits (HIPAP) are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources:	
Pensions	12,197,000
Other postemployment benefits	4,671,476
Other postemployment benefits (HIPAP)	452,000
Deferred inflows of resources:	
Pensions	(3,075,000)
Other postemployment benefits	(5,279,416)
Other postemployment benefits (HIPAP)	(664,000)
Government-wide liabilities and related assets are not included in governmental funds as a result of the difference in the measurement focus of accounting:	
Bonds payable	\$(14,987,379)
Bond insurance costs	19,415
Accrued interest on the bonds	(179,009)
Compensated absences	(1,494,614)
Tax reassessment liability	(820,106)
	<u>(17,461,693)</u>
Total net position (deficit), governmental activities	<u><u>\$(19,109,698)</u></u>

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2025

	Major funds				
	General	Debt	Capital	Nonmajor	Total
	Fund	Service	projects	funds	governmental
		Fund	fund		funds
Revenues:					
Local sources:					
Real estate taxes and penalties	\$ 36,578,829	\$ -	\$ -	\$ -	\$ 36,578,829
Other taxes and penalties	11,170,754	-	-	-	11,170,754
Investment income	1,114,627	-	161,447	53,284	1,329,358
Rent	44,616	-	-	-	44,616
Other revenues	950,603	-	-	-	950,603
Total local sources	49,859,429	-	161,447	53,284	50,074,160
State sources	27,469,049	-	-	-	27,469,049
Federal sources	709,131	-	-	-	709,131
Total revenues	78,037,609	-	161,447	53,284	78,252,340
Expenditures:					
Instruction	48,749,665	-	-	-	48,749,665
Support services	24,854,406	-	-	-	24,854,406
Student activities	1,228,827	-	-	-	1,228,827
Community services	13,156	-	-	-	13,156
Architectural and engineering services	-	-	680,190	-	680,190
Debt service:					
Principal	-	3,494,000	-	-	3,494,000
Interest	-	10,419	-	-	10,419
Bond issuance costs	-	-	267,192	-	267,192
Total expenditures	74,846,054	3,504,419	947,382	-	79,297,855
Excess (deficiency) of revenues over expenditures	3,191,555	(3,504,419)	(785,935)	53,284	(1,045,515)

(continued)

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2025

	Major funds				Total governmental funds
	General Fund	Debt Service Fund	Capital projects fund	Nonmajor funds	
Other financing sources (uses):					
Proceeds from issuance of long-term debt	\$ -	\$ -	\$ 14,999,086	\$ -	\$ 14,999,086
Interfund operating transfers:					
In	-	3,504,419	-	-	3,504,419
Out	(3,504,419)	-	-	-	(3,504,419)
Total other financing sources (uses)	(3,504,419)	3,504,419	14,999,086	-	14,999,086
Net change in fund balance	(312,864)	-	14,213,151	53,284	13,953,571
Fund balance:					
July 1, 2024	12,763,153	-	-	2,144,959	14,908,112
June 30, 2025	\$ 12,450,289	\$ -	\$ 14,213,151	\$ 2,198,243	\$ 28,861,683

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2025

Total net change in fund balance, governmental funds **\$ 13,953,571**

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlays	\$ 1,686,014	
Net book value of assets disposed of	(1,692)	
Depreciation	<u>(2,985,834)</u>	(1,301,512)

Some property taxes will not be collected for several months after the District's fiscal year ends; they are not considered as "available" revenues in the governmental funds. Unavailable tax revenue increased by this amount in the period.

237,990

Governmental funds report District pension, other postemployment benefits and other postemployment benefits (HIPAP) contributions as expenditures. However, in the statement of activities, the cost of these benefits earned is reported as expense.

Pensions:

District contributions	10,271,000	
Cost of benefits earned	<u>(6,524,000)</u>	3,747,000

Other postemployment benefits:

District contributions	622,617	
Cost of benefits earned	<u>(835,836)</u>	(213,219)

Other postemployment benefits (HIPAP):

District contributions	194,000	
Cost of benefits earned	<u>(93,000)</u>	101,000

(continued)

LOWER DAUPHIN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES (CONTINUED) YEAR ENDED JUNE 30, 2025

The issuance of long-term debt (i.e. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of the difference are as follows:

Issuance of general obligation debt:

Bond proceeds	\$ (13,890,000)	
Bond premium	(1,109,086)	
Bond insurance costs	<u>19,611</u>	
		\$ (14,979,475)

Principal repayments notes payable	3,494,000
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In the statement of activities, certain operating expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the differences between the amount incurred versus the amount used for the following items:

Compensated absences	171	
Amortization of:		
Bond insurance costs	(196)	
Bond premium	11,707	
Bond refunding	11,356	
Accrued interest expense	(171,853)	
Long-term tax reassessment liability	<u>(820,106)</u>	
		<u>(968,921)</u>

Change in net position of governmental activities	<u><u>\$ 4,070,434</u></u>
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See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

**STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2025**

ASSETS

Food
Service
Fund

Current assets:

Cash, cash equivalents and equity in
pooled cash and investments
Due from other governments
Inventory

\$ 976,141
16,699
26,330

Total current assets

1,019,170

Noncurrent assets:

Machinery and equipment
Accumulated depreciation

1,062,697
(1,062,697)

Total noncurrent assets

-

Total assets

\$ 1,019,170

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable
Unearned revenue

\$ 47,520
67,068

Total liabilities, all current

114,588

Net position, unrestricted

904,582

Total liabilities and net position

\$ 1,019,170

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025

	Food Service Fund
Operating revenues, food service revenue	\$ 957,849
Operating expenses, purchased services including U.S. Department of Agriculture (USDA) donated commodities	<u>2,102,225</u>
Operating loss	<u>(1,144,376)</u>
Nonoperating revenues:	
Earnings on investments	37,787
Contributions and donations	6,847
State subsidy revenue	178,211
Federal subsidy revenue	746,296
USDA donated commodities	<u>203,172</u>
Total nonoperating revenues	<u>1,172,313</u>
Change in net position	27,937
Total net position:	
July 1, 2024	<u>876,645</u>
June 30, 2025	<u><u>\$ 904,582</u></u>

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025**

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from users	\$ 947,274
Cash payments, suppliers for goods and services	<u>(1,892,762)</u>
Net cash used in operating activities	<u>(945,488)</u>
Cash flows from noncapital financing activities:	
Contributions and donations	6,847
State sources	199,871
Federal sources	<u>845,805</u>
Net cash provided by noncapital financing activities	<u>1,052,523</u>
Net cash provided by investing activities, earnings on investments	<u>37,787</u>
Net increase in cash	144,822
Cash:	
Beginning of year	<u>831,319</u>
End of year	<u><u>\$ 976,141</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (1,144,376)</u>
Adjustments:	
Donated commodities	203,172
Increase in inventories	12,927
Decrease in:	
Accounts payable	(6,636)
Unearned revenue	<u>(10,575)</u>
Total adjustments	<u>198,888</u>
Net cash used in operating activities	<u><u>\$ (945,488)</u></u>

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2025

	<u>Student activities</u>	<u>Private purpose trust</u>	<u>Total fiduciary funds</u>
ASSETS			
Assets:			
Cash, cash equivalents and equity in pooled cash and investments	\$ 141,571	\$ 58,390	\$ 199,961
Investments	<u>-</u>	<u>96,834</u>	<u>96,834</u>
Total assets	<u>\$ 141,571</u>	<u>\$ 155,224</u>	<u>\$ 296,795</u>
NET POSITION			
Net position:			
Restricted for student groups	\$ 141,571	\$ -	\$ 141,571
Held in trust for scholarships	<u>-</u>	<u>155,224</u>	<u>155,224</u>
Total net position	<u>\$ 141,571</u>	<u>\$ 155,224</u>	<u>\$ 296,795</u>

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2025**

	<u>Student activities</u>	<u>Private purpose trust</u>	<u>Total fiduciary funds</u>
Additions, interest, gifts and contributions	\$ 208,565	\$ 19,383	\$ 227,948
Deductions, student activities and scholarships awarded	<u>(225,055)</u>	<u>(8,000)</u>	<u>(233,055)</u>
Change in net position	(16,490)	11,383	(5,107)
Net position:			
July 1, 2024	<u>158,061</u>	<u>143,841</u>	<u>301,902</u>
June 30, 2025	<u>\$ 141,571</u>	<u>\$ 155,224</u>	<u>\$ 296,795</u>

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies:

Lower Dauphin School District (School District or District), located in Dauphin County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through twelve to students living in Hummelstown Borough and Conewago, East Hanover, Londonderry and South Hanover Townships. These include regular, advanced academic and vocational education programs and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors, who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools, who is appointed by the board of school directors. The District is comprised of five elementary schools, one middle school and one high school serving approximately 4,000 students.

The accounting policies of Lower Dauphin School District are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the District's significant accounting policies.

Reporting entity:

The criteria used by the District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the District reviews the applicability of the following criteria.

The District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations - if District officials appoint a voting majority of the organization's governing body and the District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the District as defined below.

Impose its will - If the District can significantly influence the programs, projects or activities of or the level of services performed or provided by the organization.

Financial benefit or burden - If the District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges or issue bonded debt without the approval of the District.

Based on the foregoing criteria, no additional entities are included in the accompanying financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Basis of presentation:

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

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

Fund financial statements are also provided in the report for all of the governmental funds, the proprietary fund and the fiduciary funds of the School District. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are presented in a single column. Fiduciary funds are reported by fund type.

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

Fund accounting:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Governmental funds:

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is upon determination of changes in financial position. The following are the District's major governmental fund types:

General Fund - The General Fund is the principal operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for and payment of, interest and principal on debt.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Governmental funds:

Capital Projects Fund - This fund is used to account for financial resources related to capital asset acquisitions, construction and improvements.

Nonmajor Funds – The nonmajor funds consist of the capital reserve fund and the capital contingency fund. These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary fund:

The proprietary fund is used to account for activities that are similar to those often found in the private sector. It consists of an Enterprise Fund, which is used to account for the District's operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods or services to the students on a continuing basis will be financed or recovered primarily through user charges. The following fund is used to account for those financial activities:

Food Service Fund - This fund accounts for the revenues, food purchases and other costs and expenses of providing meals to students during the school year.

Fiduciary funds:

These are the funds that account for the assets held by the School District as a trustee or custodian for individuals or private organizations and are, therefore, not available to support the District's own programs. The funds included in this category are:

Private Purpose Trust Funds - These funds are used to account for assets held by the School District in a trustee capacity or as a custodian. This fund accounts for various scholarship funds.

Student Activities Funds - These funds are used to account for assets authorized by Section 511 of the Public School Code of 1949, for school publications and organizations.

Measurement focus and basis of accounting:

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

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Measurement focus and basis of accounting:

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

Revenues, exchange and nonexchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from exchange and nonexchange transactions must also be available before it can be recognized.

Cash, cash equivalents and equity in pooled cash and investments:

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits. They are carried at cost, which approximates fair value. The District considers certificates of deposit purchased with an original maturity of 90 days or less to be cash equivalents.

The District invests in an external investment pool. The external investment pool is reported at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Investments:

Investments are stated at fair value. Fair value of the investment approximates cost/principal amounts because those are the values at which the investments can be readily redeemed.

Taxes receivable, due from other governments and other receivables:

These amounts are stated at the amount management expects to collect, and no losses are expected to be recorded.

Due from other funds and due to other funds:

Interfund receivables and payables arise from interfund activity and are recorded in the same period by all funds affected.

Inventories:

Inventories in the Food Service Fund include government donated commodities, which were valued at fair value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2025 are reported as unearned revenue.

Bond insurance costs:

Bond insurance is recorded as an asset and amortized over the life of the bonds using the straight-line method.

Capital assets:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Capital assets:

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

<u>Assets</u>	<u>Years</u>
Buildings	15 to 50
Building improvements	20
Site improvements	15
Machinery and equipment	5 to 20

Long-term obligations:

In the government-wide financial statements, all long-term debt and other long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the applicable statement of net position (deficit). Bond premiums and discounts, as well as advanced refunding losses, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, long-term debt for governmental funds is not reported as a liability. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures or financing uses. Bond premiums, discounts and issuance costs are recognized as other financing sources and uses during the current period for the fund financial statements.

Pension and other postemployment benefit (HIPAP) plans:

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

Substantially all full-time and part-time employees of the District participate in a cost-sharing multiple-employer defined benefit pension plan and other postemployment benefit plan for healthcare insurance premium assistance program (HIPAP) through PSERS. On the governmental fund financial statements, the District recognizes annual pension and other postemployment benefits (HIPAP) expenditures or expenses equal to its contractually required contributions. For the fiscal year ended June 30, 2025, the rate of employer contribution was 33.90%. The 33.90% rate is composed of a contribution rate of 32.92% for pension benefits, 0.63% for healthcare insurance premium assistance and 0.35% for defined contribution costs. The District is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. Such payments are recorded in the General Fund as state source revenues. In the government-wide financial statements, payments are allocated based on function. The District made all required contributions for the year ended June 30, 2025 and has recognized them as expenditures or expenses.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Other postemployment benefits:

In the government-wide statements, the District recognizes the costs and liabilities associated with postemployment benefits other than pension compensation. The District provides access to retiree healthcare benefits to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

Compensated absences:

The School District allows employees to accumulate an unlimited amount of sick leave. Upon retirement or termination, the employee would be paid a certain amount, according to their contract, for these accumulated sick days. Earned vacation time is generally required to be used within one year of accrual. The District accrues compensated absences based on if it is more likely than not to be used or paid out upon separation.

Deferred outflows and inflows of resources:

The statement of financial position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are a separate financial statement element and represent consumption of net position or fund balance that applies to future periods, and thus, will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources are a separate financial statement element and represent the acquisition of net position or fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until a future period. The District has two items that qualify for reporting as a deferred outflow of resources and two items that qualified for reporting as deferred inflow of resources in the government-wide financial statements.

The first item relates to the net pension liability, and these deferrals are only reported in the government-wide statement of net position (deficit). Deferred outflows and deferred inflows of resources result from changes in the District's proportionate share of the total pension liability and the pension plan's fiduciary net position, for contributions made to the plan between the measurement date of the net pension liability and the end of the District's fiscal year, for differences between projected and actual experience, change in assumptions, net changes in proportionate share of the net pension liability and for actual pension plan investment earnings in excess of or less than the expected amount included in determining the expense. The deferred outflows related to the contribution are included in pension expense in the next year, whereas other deferrals are attributed to pension expense over a total of five years, including the current year.

The second item relates to the net other postemployment benefits and net other postemployment benefits (HIPAP), and these deferrals are only reported in the government-wide statement of net position (deficit). Deferred outflows and deferred inflows of resources related to other postemployment benefits result from changes in the District's actuarially determined liability. Deferred outflows and deferred inflows of resources related to other postemployment benefits (HIPAP) result from changes in the District's proportionate share of the total other postemployment benefits (HIPAP) liability and the other postemployment benefit (HIPAP) plan's fiduciary net position, for contributions made to the plan between the measurement date of the net other postemployment benefits (HIPAP) liability and the end of the District's fiscal year, for differences between projected and actual experience, change in assumptions, net changes in proportionate share of the net other postemployment benefits (HIPAP) liability and for actual other postemployment benefits (HIPAP) plan investment earnings in excess of or less than the expected amount included in determining the expense. The deferred outflows related to the contribution are included in other postemployment benefits (HIPAP) expense in the next year, whereas other deferrals are attributed to other postemployment benefits (HIPAP) expense over a total of five to seven years, including the current year.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Deferred outflows and inflows of resources:

The governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future periods, and so will not be recognized as an inflow of resources (revenue) until that time. In the governmental funds, the deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected no later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet.

Fund balance classification:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: Includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted: Includes amounts that can be spent only for specific purposes because of the grantors' or contributors' restrictions, the District ordinance, the city code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed: Includes amounts that can be used only for specific purposes determined by a formal action by the District's board (highest level of decision-making authority) resolution. These amounts cannot be used for any other purpose unless the District's board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: Includes amounts that are designated by the District's board for a specific purpose, but are not spendable until a formal action by the District's board or ordinance is passed. This classification includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. This intent can be expressed by the District's board or through the District's board delegating this responsibility to the District's management through the budgetary process.

Unassigned: All amounts not included in other spendable classifications and are considered to be available for general use by the District.

The classifications of the fund balances are included in the governmental funds balance sheet. The District would typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the board or the assignment has been changed by the board. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Nature of organization and significant accounting policies (continued):

Donations:

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of donated noncash assets are recorded at their fair values in the period received. The District also receives donated services from unpaid volunteers who assist in fundraising activities and administrative services. No amounts for these services have been recognized in the statement of activities.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferrals and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Significant estimates that are sensitive to changes in assumptions in these financial statements are the PSERS pension liability, HIPAP liability and OPEB liability. Actual results could differ from those estimates.

Adoption of new accounting pronouncement adopted:

The following summarizes the GASB Statement implemented by the District during the year ended June 30, 2025, and the relating effects on the financial statements presentation and disclosure, as applicable:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District adopted Statement No. 101 for its June 30, 2025 financial statements. There was no quantitate impact as a result of adopting Statement No. 101. The new standard enhanced disclosures.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The District adopted Statement No. 102 for its June 30, 2025 financial statements. There were no significant changes to the District's financial statements as a result of adopting Statement No. 102.

Pending GASB statements:

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The provisions of Statement No. 103 are effective for the District's June 30, 2026 financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The provisions of Statement No. 104 are effective for the District's June 30, 2026 financial statements.

The effect of implementation of these statements on future years has not yet been determined.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

2. Deposits and investments:

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

1. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
2. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

Custodial credit risk, deposits:

For deposits, custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. For investments, custodial credit risk is the risk that in the event of a counterparty failure, the School District may not be able to recover the value of its investment or collateral security that is in the possession of an outside party. As of June 30, 2025, the School District does not have a policy for custodial credit risk for deposits and investments.

As of June 30, 2025, \$1,824,534 of the District's bank balance of \$2,179,130 was exposed to custodial credit risk, but was collateralized by the pledging bank's trust department in accordance with Act 72.

Reconciliation of cash, cash equivalents and equity in pooled cash and investments to the financial statements:

Collateral held by the pledging bank under Act 72 but

not in the District's name \$ 1,824,534

Insured by Federal Deposit Insurance Corporation 354,596

Pennsylvania Local Government Investment Trust (PLGIT):

Class 2,715,446

Reserve-Class 24,513,581

Outstanding checks (350,146)

Total cash, cash equivalents and equity in pooled cash and investments
per the financial statements

\$ 29,058,011

Reconciliation to the financial statements:

Governmental activities:

Unrestricted \$ 11,581,045

Restricted 16,300,864

Business-type activities 976,141

Fiduciary fund deposits not included in government-wide statements 199,961

\$ 29,058,011

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

2. Deposits and investments (continued):

External investment pools:

The School District uses external investment pools to ensure safety and maximize efficiency, liquidity and yield for School District funds. The external investment pools are valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount of premium. The fair value of securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost. The amortized cost, which approximates the fair value of the pool, is determined by the pool's share price.

The School District has investments with Pennsylvania Local Government Investment Trust (PLGIT). PLGIT was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the Funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of PLGIT is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949 as amended. The Funds operate in a manner consistent with the Securities and Exchange Commission's Rule 2(a)7 of the Investment Company Act of 1940.

PLGIT separately issues audited financial statements that are available to the public via their website. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. Alternatively, the Commonwealth of Pennsylvania provides external regulatory oversight of the external investment pools. The pool is audited annually by Ernst & Young, LLP, an independent accounting firm.

The School District has funds totaling \$27,229,027 invested in PLGIT. PLGIT funds operate similarly to mutual funds and consist of short-term money market instruments and seek to maintain constant net assets value of \$1 per share. The School District is invested in the following PLGIT investment options:

- PLGIT Class Shares – A flexible option which requires no minimum balance, no minimum initial investment and a one-day minimum investment period. Dividends are paid monthly.
- PLGIT Reserve-Class Shares – An option which requires a minimum investment of \$50,000 and a one-day minimum investment period, and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period and dividends are paid monthly.

PLGIT separately issues audited financial statements which are available to the public via their website. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools. At June 30, 2025, PLGIT investments carry AAAM ratings and have average maturities of less than one year.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

2. Deposits and investments (continued):

Investments:

As of June 30, 2025, the District had the following investments:

Investment	Maturities	Ratings	Fair value
Pennsylvania Treasurer's INVEST Program	Demand	AAA	\$ 379,770
Mid Penn Bank demand deposit account	Demand	(a)	6,019,458
M&T Certificate of deposit	11/25/2025	FDIC insured	30,904
FNB Certificate of deposit	3/3/2026	FDIC insured	65,930
Total			<u>\$ 6,496,062</u>

Reconciliation of investments to the financial statements is as follows:

Governmental activities, investments:

Unrestricted	\$ 6,019,458
Restricted	379,770
Fiduciary fund investments not included in government-wide statements	<u>96,834</u>

\$ 6,496,062

(a) \$250,000 is insured, and the entire balance is collateralized by the pledging bank in accordance with Act 72.

Interest rate risk:

The District has a formal investment policy that permits investments as authorized by law. The policy does not limit investment maturities as a means of managing its exposure to fair value losses resulting from increasing interest rates.

Concentration of credit risk:

The School District places no limit on the amount invested in any one issuer. The School District's external investment pools are held entirely with PLGIT and PSDLAF.

3. Real estate taxes:

Based upon assessments provided by Dauphin County, the School District's tax collectors bill and collect property taxes. The School District tax rate for the year ended June 30, 2025 was 20.20 mills (\$20.20 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - December 31	10% penalty period
January	Turned over for collections

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

4. Taxes receivable and unavailable revenue, General Fund:

A summary of the taxes receivable and related accounts follows:

	Taxes receivable	Collections received within 60 days recognized as revenue in the General Fund	General Fund unavailable revenue
Real estate	\$ 687,838	\$ 124,619	\$ 563,219
Per capita and occupational privilege tax	<u>715,565</u>	<u>103,676</u>	<u>611,889</u>
	<u><u>\$ 1,403,403</u></u>	<u><u>\$ 228,295</u></u>	<u><u>\$ 1,175,108</u></u>

5. Interfund activity:

The District transfers resources from different funds to and from the General Fund to support the general operations of the District. Interfund transfers for the year ended June 30, 2025 were as follows:

<u>Transfers to</u>	<u>Transfers from General Fund</u>
Debt Service Fund for debt service	<u><u>\$ 3,504,419</u></u>

6. Due from other governments:

The following amounts were due from other governmental units:

	<u>General Fund</u>
Federal programs	\$ 666,306
State subsidies:	
Social Security	395,805
Retirement	1,794,974
Other	76,608
Local governmental units	<u>1,111,167</u>
	<u><u>\$ 4,044,860</u></u>

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

7. Unearned revenue:

Unearned revenues at June 30, 2025 consisted of the following:

	Food Service Fund
Commodities inventory	\$ 2,860
Unearned revenue, other	<u>64,208</u>
	<u><u>\$ 67,068</u></u>

8. Capital assets:

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

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets, not being depreciated, land	<u>\$ 530,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,467</u>
Capital assets being depreciated:				
Site improvements	10,275,201	163,960	-	10,439,161
Buildings and building improvements	103,142,586	1,018,259	-	104,160,845
Machinery and equipment	<u>21,726,400</u>	<u>503,795</u>	<u>(233,584)</u>	<u>21,996,611</u>
Total assets being depreciated	<u>135,144,187</u>	<u>1,686,014</u>	<u>(233,584)</u>	<u>136,596,617</u>
Less accumulated depreciation for:				
Site improvements	6,984,285	320,622	-	7,304,907
Buildings and building improvements	56,267,259	2,217,939	-	58,485,198
Machinery and equipment	<u>16,908,363</u>	<u>447,273</u>	<u>(231,892)</u>	<u>17,123,744</u>
Total accumulated depreciation	<u>80,159,907</u>	<u>2,985,834</u>	<u>(231,892)</u>	<u>82,913,849</u>
Total capital assets being depreciated, net	<u>54,984,280</u>	<u>(1,299,820)</u>	<u>(1,692)</u>	<u>53,682,768</u>
Governmental activities, capital assets, net	<u><u>\$ 55,514,747</u></u>	<u><u>\$(1,299,820)</u></u>	<u><u>\$ (1,692)</u></u>	<u><u>\$ 54,213,235</u></u>

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

8. Capital assets (continued):

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets being depreciated, equipment	\$ 1,062,697	\$ -	\$ -	\$ 1,062,697
Less accumulated depreciation for equipment	1,062,697	-	-	1,062,697
	<u>1,062,697</u>	<u>-</u>	<u>-</u>	<u>1,062,697</u>
Business-type activities, capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions of the government as follows:

	Instruction	Support services	Non- instructional	Total
Regular instruction	\$ 1,475,459	\$ -	\$ -	\$ 1,475,459
Special instruction	543,900	-	-	543,900
Vocational instruction	87,571	-	-	87,571
Other instructional programs	68,539	-	-	68,539
Pre-kindergarten	1,195	-	-	1,195
Pupil personnel	-	146,276	-	146,276
Instructional staff	-	101,063	-	101,063
Administration	-	229,738	-	229,738
Pupil health	-	51,167	-	51,167
Business services	-	34,304	-	34,304
Operation of plant and maintenance	-	182,322	-	182,322
Student transportation services	-	11,054	-	11,054
Central	-	24,717	-	24,717
Student activities	-	-	27,878	27,878
Community services	-	-	651	651
	<u>\$ 2,176,664</u>	<u>\$ 780,641</u>	<u>\$ 28,529</u>	<u>\$ 2,985,834</u>

9. Long-term debt:

On May 10, 2021, the District issued the General Obligation Note, Series of 2021, in the amount of \$13,495,000. Principal payments will be due in varying amounts through March 2025, and the interest rate is 0.70%. The General Obligation Note, Series of 2021, was used to refund the General Obligation Bonds, Series of 2012; General Obligation Note, Series of 2015; General Obligation Note, Series A of 2015 and General Obligation Note, Series of 2019 and pay the costs of issuing the note. The note was paid off in March 2025.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

9. Long-term debt (continued):

In March 2025, the District issued the General Obligation Bonds, Series of 2025, in the amount of \$13,890,000 to finance the renovation and replacement of the HVAC systems at the elementary schools and middle school, and upgrades to the athletic facility and pay the related costs, including the costs of issuing the bonds. Principal payments will be due in varying amounts through September 2049, and interest rates range from 2.83% to 4.20%. The principal balance outstanding at June 30, 2025 was \$13,890,000.

Long-term debt balances and activity for the year ended June 30, 2025 were as follows:

	Notes payable	Bonds payable	Bond premium	Total long term debt
Beginning of year	\$ 3,494,000	\$ -	\$ -	\$ 3,494,000
Proceeds	-	13,890,000	1,109,086	14,999,086
Principal retirement	(3,494,000)	-	-	(3,494,000)
Amortization	-	-	(11,707)	(11,707)
	<u>\$ -</u>	<u>\$ 13,890,000</u>	<u>\$ 1,097,379</u>	14,987,379
Less current portion				<u>(5,000)</u>
				<u><u>\$ 14,982,379</u></u>

The debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 5,000	\$ 671,225	\$ 676,225
2027	310,000	686,500	996,500
2028	325,000	670,625	995,625
2029	340,000	654,000	994,000
2030	355,000	636,625	991,625
Thereafter	<u>12,555,000</u>	<u>7,305,125</u>	<u>19,860,125</u>
	<u><u>\$ 13,890,000</u></u>	<u><u>\$ 10,624,100</u></u>	<u><u>\$ 24,514,100</u></u>

The payments of long-term debt are funded by the General Fund. During the year ended June 30, 2025, debt service payments included \$3,494,000 for principal and \$10,419 for interest.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plan:

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

Plan description:

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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:

Benefits are provided by PSERS by statute; therefore, financial statement amounts are affected by PSERS activity. The District's reported amounts will vary over time depending on the pension results of PSERS.

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

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

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

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

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plan (continued):

Benefits provided:

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 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 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.

Member contributions:

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the members' qualifying compensation.

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

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

Members who joined the System after June 30, 2011 and before July 1, 2019, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Members who joined the System after June 30, 2019, automatically contribute at the Membership Class T-G rate of 5.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2019, who elect Class T-H membership, contribute at 4.50% (base rate) of the member's qualifying compensation. Membership Class T-G and Class T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 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 School District were \$10,271,000 for the year ended June 30, 2025.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

At June 30, 2025, the District reported a liability of \$77,850,000 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 PSERS's total pension liability as of June 30, 2023 to June 30, 2024. There were no events during the period June 30, 2024 to June 30, 2025 that affect the measurement of the net pension liability results. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2024, the District's proportion was .1860%, which was an increase of .0016% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$6,524,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investment	\$ 1,289,000	\$ -
Differences between expected and actual experience	-	1,224,000
Net changes in proportion	518,000	1,337,000
Net difference between District actual contributions and the calculated portion determined by PSERS	119,000	514,000
District contributions subsequent to the measurement date	<u>10,271,000</u>	<u>-</u>
	<u><u>\$ 12,197,000</u></u>	<u><u>\$ 3,075,000</u></u>

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended June 30, 2025, \$10,271,000 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 net pension liability for the valuation year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ended <u>June 30,</u>	
2025	\$ (2,948,000)
2026	1,651,000
2027	388,000
2028	<u>(240,000)</u>
Total	<u><u>\$ (1,149,000)</u></u>

Actuarial assumptions:

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

Actuarial cost method: Entry age normal - level percentage of pay

Investment return: 7.00%, includes inflation of 2.50%

Salary increases: Effective average of 4.50%, which reflects an allowance for inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

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

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

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

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

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

The PSERS board adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024 are as follows:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
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/MLPs	10.0	6.4
Real estate	9.5	5.9
	<u>100.0 %</u>	

Discount rate:

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

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

Sensitivity of the District's proportionate share:

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 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 102,552,000	\$ 77,850,000	\$ 56,991,000

Pension 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.

11. Other postemployment benefits:

Postemployment benefits other than pension (OPEB):

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

Plan description:

The District offers postemployment dental, vision, life and health insurance benefits to employees upon their retirement with the same plan provisions provided to active employees. The following is a breakdown of eligibility requirements and coverage by group:

Administrators:

If hired on or before February 23, 1989, the member must have completed 30 years of PSERS service or have attained 55 years of age and completed 10 years of District service. If hired after February 23, 1989, the member must have completed 30 years of PSERS service and 20 years of District service or have attained 55 years of age and completed 10 years of District service. If the member reaches the eligibility requirements applicable to the member's date of hire, the District will pay the full cost of coverage for the member and spouse as elected in the final year of employment. The District also provides a term life insurance policy for the member with a face amount equal to 1.5 times the member's salary at retirement. Insurance coverage is provided until the member attains 65 years of age.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

Plan description:

Teachers:

If retired on or after July 1, 2014, the member must meet the requirements of one of the following programs (these requirements are not applicable for members retired prior to July 1, 2014):

- a. Program One: Superannuation along with a minimum of 20 years of District service, or attain 55 years of age and 30 years of District service.
- b. Program Two: Attain 57 years of age, 20 years of District service and the sum of age and District service must be greater than or equal to 80 years.
- c. Act 110/43 (30 years of PSERS service or upon superannuation retirement).

For teachers retired before 2007, the District pays the full cost of coverage for the member, spouse and dependents as elected in the final year of employment, less any subsequent increases in premium, which are the member's responsibility.

For teachers retired before 1999, the District pays the full cost of coverage for the member, spouse and dependents as elected in the final year of employment.

For teachers retired in or after 2007 and before July 1, 2011, if the member retires under Program One, the District pays the cost of coverage for the member, spouse and dependents as elected in the final year of employment, less any subsequent increases in premium, which are the member's responsibility. If the member retires under Program Two, the District pays 75% of the cost of coverage for the member and spouse as elected in the final year of employment. The member is responsible for the remaining 25% of the cost, plus any subsequent increases in premium. If the member fails to retire under Program One or Program Two, but is eligible under Act 110/43, the member, spouse and dependents may continue coverage by paying the full premium.

For teachers retired on or after July 1, 2011 and before July 1, 2014, if the member retires under Program One, the District pays the cost of coverage for the member as elected in the final year of employment, less any subsequent increases in premium, which are the member's responsibility for a maximum of seven years, at which point the member is removed from the plan. The District also pays 50% of the cost of coverage for the spouse and eligible dependents as elected in the final year of employment. The member is responsible for the remaining 50% of the cost, plus any subsequent increases in premiums. If the member retires under Program Two, the District pays 75% of the cost of coverage for the member as elected in the final year of employment. The member is responsible for the remaining 25% of the cost, plus any subsequent increases in premium for a maximum of seven years, at which point the member is removed from the plan. The spouse and dependents may continue coverage by paying the full premium. If the member fails to retire under Program One or Program Two, but is eligible under Act 110/43, the member, spouse and dependents may continue coverage by paying the full premium.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

Plan description:

Teachers:

For teachers retired on or after July 1, 2014 and before July 1, 2018, if the member retires under Program One, the District pays the cost of coverage for the member as elected in the final year of employment, less any subsequent increases in premium, which are the member's responsibility for a maximum of seven years, at which point the member is removed from the plan. The spouse and dependents may continue coverage by paying the full premium. If the member retires under Program Two, the District pays 50% of the cost of coverage for the member as elected in the final year of employment. The member is responsible for the remaining 50% of the cost, plus any subsequent increases in premium for a maximum of seven years, at which point the member is removed from the plan. The spouse and dependents may continue coverage by paying the full premium. If the member fails to retire under Program One or Program Two, but is eligible under Act 110/43, the member, spouse and dependents may continue coverage by paying the full premium.

For teachers retired on or after July 1, 2018, if the member retires under Program One, the District pays 75% of the cost of coverage for the member as elected in the final year of employment, less any subsequent increases in premium, which are the member's responsibility for a maximum of seven years, at which point the member is removed from the plan. The spouse and dependents may continue coverage by paying the full premium. If the member retires under Program Two, the District pays 50% of the cost of coverage for the member as elected in the final year of employment. The member is responsible for the remaining 50% of the cost, plus any subsequent increases in premium for a maximum of five years, at which point the member is removed from the plan. The spouse and dependents may continue coverage by paying the full premium. If the member fails to retire under Program One or Program Two, but is eligible under Act 110/43, the member, spouse and dependents may continue coverage by paying the full premium.

The District also provides a term life insurance policy for the member with a face amount equal to \$50,000. Insurance coverage is provided until the member attains 65 years of age.

Support staff:

Eligible members must have attained 51 years of age, completed 25 years of PSERS service and 20 years of District service or have attained 51 years of age and completed 10 years of District service.

For support staff members hired prior to July 1, 1997, if the member reaches 25 years of PSERS service and 20 years of District service, the District will contribute the cost of coverage for the member and spouse as elected in the final year of employment, less any subsequent increases in premium, which are the member's responsibility. If the member fails to reach 25 years of PSERS service and 20 years of District service at retirement, but reaches at least 10 years of District service, the member may continue coverage elected in the final year of employment by paying the full premium.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

Plan description:

Support staff:

For support staff members hired on or after July 1, 1997, if the member reaches 25 years of PSERS service and 20 years of District service, the District will contribute the cost of coverage for the member as elected in the final year of employment, less any subsequent increases in premium, which are the member's responsibility. The member may continue coverage for spouse and dependents by paying the full premium for the coverage elected in the final year of employment. If the member fails to reach 25 years of PSERS service and 20 years of District service at retirement, but reaches at least 10 years of District service, the member may continue coverage elected in the final year of employment by paying the full premium.

The District also provides a term life insurance policy for the member with a face amount equal to \$30,000. Insurance coverage is provided until the member is eligible for Medicare.

Employees covered by benefit terms:

At July 1, 2023, the following employees were covered by benefit terms:

	<u>Support staff</u>	<u>Administrators and teachers</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	7	25	32
Active employees	<u>133</u>	<u>331</u>	<u>464</u>
Total	<u>140</u>	<u>356</u>	<u>496</u>

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

Total OPEB liability and actuarial assumptions:

The District's total OPEB liability of \$13,048,091 was measured as of June 30, 2024 using the July 1, 2023 actuarial valuation. The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate:	4.29% based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2024.
Salary increases:	2.50% cost of living adjustment, 1.5% real wage growth and merit increases which varies by age from 2.75% to 0%.
Healthcare cost trend rates:	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.
Retiree contributions:	Retiree contributions are assumed to increase at the same rate as the Healthcare Cost Trend Rate.
Mortality rates:	Mortality rates were based on the Scale MP-2021 scale to reflect mortality improvement.

Mortality rates are presumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Changes in the total OPEB Liability:

Balance at July 1, 2023	<u>\$ 10,692,747</u>
Changes for the year:	
Service cost	555,456
Interest	450,981
Difference between expected and actual experience	1,950,197
Changes in assumptions	5,274
Benefit payments	<u>(606,564)</u>
Net changes	<u>2,355,344</u>
Balance at June 30, 2024	<u><u>\$ 13,048,091</u></u>

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

Changes in the total OPEB Liability:

Changes in assumptions reflect a change in the discount rate from 4.13% in 2023 to 4.29% in 2024. The trend assumptions for salary, mortality, withdrawal and retirement were updated based on the new PSERS assumptions.

Sensitivity of total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the plan, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u> <u>3.29%</u>	<u>Current</u> <u>discount</u> <u>rate</u> <u>4.29%</u>	<u>1% Increase</u> <u>5.29%</u>
District's total OPEB liability	\$ 13,985,520	\$ 13,048,091	\$ 12,158,335

Sensitivity of total OPEB liability to changes in the healthcare cost trend rates:

The following presents the total OPEB liability of the plan, as well as what the plan's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>trend rates</u>	<u>1% Increase</u>
District's total OPEB liability	\$ 11,843,749	\$ 13,048,091	\$ 14,451,252

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (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 recognized OPEB expense of \$835,836. At June 30, 2025, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in assumption	\$ 2,898,955	\$ 2,417,372
Differences between expected and actual experience	1,149,904	2,862,044
District benefit payments subsequent to the measurement date	<u>622,617</u>	<u>-</u>
	<u><u>\$ 4,671,476</u></u>	<u><u>\$ 5,279,416</u></u>

For the year ended June 30, 2025, \$622,617 was reported as deferred outflows of resources related to OPEB resulting from District benefit payments made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the valuation year ended June 30, 2025. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ended <u>June 30,</u>	
2025	\$ (170,601)
2026	(170,601)
2027	(170,601)
2028	(170,601)
2029	(170,603)
thereafter	<u>(377,550)</u>
Total	<u><u>\$ (1,230,557)</u></u>

Health Insurance Premium Assistance Program (HIPAP):

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

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

Health Insurance Premium Assistance Program (HIPAP):

PSERS provides Premium Assistance which, is a governmental cost-sharing, multiple-employer HIPAP 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 (HOP). As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Premium assistance eligibility criteria:

Retirees of PSERS can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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' HOP. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Employer contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to HIPAP from the District were \$194,000 for the year ended June 30, 2025.

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

At June 30, 2025, the District reported a liability of \$3,302,000 for its proportionate share of the net HIPAP liability. The net HIPAP liability was measured as of June 30, 2024, and the total HIPAP liability used to calculate the net HIPAP liability was determined by rolling forward PSERS' total HIPAP liability as of June 30, 2023 to June 30, 2024. There were no events during the period June 30, 2024 to June 30, 2025 that affect the measurement of the net HIPAP liability results. The District's proportion of the net HIPAP liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was .1859%, which was an increase of .0019% from its proportion measured as of June 30, 2023.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

For the year ended June 30, 2025, the District recognized HIPAP expense of \$93,000. At June 30, 2025, the District reported deferred outflows of resources related to HIPAP from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change in assumptions	\$ 201,000	\$ 504,000
Net difference between projected and actual investment earnings	3,000	-
Differences between expected and actual experience	13,000	50,000
Changes in proportion	40,000	110,000
Net difference between District actual contributions and the calculated portion determined by PSERS	1,000	-
Contributions subsequent to the measurement date	194,000	-
	<u>\$ 452,000</u>	<u>\$ 664,000</u>

Deferred outflows of resources related to HIPAP of \$194,000 were reported as resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net HIPAP liability for the valuation year ended June 30, 2025. Other amounts reported as deferred outflows of resources related to HIPAP will be recognized in HIPAP expense as follows:

Plan year ended June 30,	
2025	\$ (115,000)
2026	(123,000)
2027	(141,000)
2028	(23,000)
2029	(4,000)
Total	<u>\$ (406,000)</u>

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

Actuarial assumptions:

The total HIPAP liability as of June 30, 2024, was determined by rolling forward PSERS' total HIPAP 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 percentage 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:	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 ended June 30, 2020.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

Actuarial assumptions:

The following assumptions were used to determine the contribution rate:

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 HIPAP as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
Mortality rates:	Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>HIPAP - Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	<u>100.0 %</u>	1.7 %

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.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

Discount rate:

The discount rate used to measure the total HIPAP liability was 4.21%. Under the HIPAP'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 HIPAP's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, HIPAP 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 HIPAP liability.

Sensitivity of the District's proportionate share of the net HIPAP liability to changes in healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 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, 2025, 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 District's proportionate share of the net HIPAP liability for June 30, 2024, calculated using current healthcare cost trends, as well as what the net HIPAP liability would be if healthcare cost trends were 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
District's proportionate share of net HIPAP liability	\$ 3,302,000	\$ 3,302,000	\$ 3,303,000

Sensitivity of the District's proportionate share of the net HIPAP liability to changes in the discount rate:

The following presents the District's proportionate share of the net HIPAP liability, calculated using the discount rate of 4.21%, as well as what the net HIPAP liability would be if it were calculated using a discount rate that is 1% lower (3.21%) or 1% higher (5.21%) than the current rate:

	<u>1% Decrease 3.21%</u>	<u>Current discount rate 4.21%</u>	<u>1% Increase 5.21%</u>
District's proportionate share of the net HIPAP liability	\$ 3,731,000	\$ 3,302,000	\$ 2,944,000

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

HIPAP 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.

12. Collective bargaining agreement:

The District employees, classroom teachers, school nurses, school counselors, librarians and long-term substitute teachers, such as are covered by a collective bargaining agreement with the Educators of Lower Dauphin. The current agreement covers the period from July 1, 2022 to June 30, 2026. The agreement establishes provisions related to salaries, health and welfare benefits, working conditions and other employment terms. The District's collective bargaining agreement may impact future financial obligations, including salary increases, benefit costs and other employment-related expenditures. Management believes that the District is in compliance with all significant provisions of its collective bargaining agreement as of June 30, 2025.

13. Joint ventures:

Harrisburg Area Community College (HACC) provides two years of undergraduate education to students. Students residing in participating districts are required to only pay approximately a third of tuition costs, with the School District paying a third and the Commonwealth paying a third. In 2011, the District adopted a resolution to continue sponsorship of the HAAC program in a less burdensome and more predictable amount, which set the cost maximum at 70% of the total dollars paid. For the year ended June 30, 2025, the District paid HACC \$196,327 for tuition. The District had also paid HACC a capital outlay based on property value to be used for facility improvements through June 30, 2020. The capital outlay payment was eliminated from the agreement for 2020-2021 and 2021-2022. The District adopted a new resolution to continue sponsorship in March 2017, commencing with the start of the 2017-2018 fiscal year through the 2021-2022 fiscal year. In April 2022, the District adopted a new resolution to continue sponsorship through the 2026-2027 fiscal year. As part of continuing the sponsorship, the District has committed to tuition payments of \$196,327 during the year ended June 30, 2025 with the amount increasing 2.5% for the next two years.

The Dauphin County Technical School (DCTS) provides vocational education to students of participating districts. Tuition is paid to DCTS based on the number of students attending the school. The District is also responsible for its share of debt service for DCTS. During the year ended June 30, 2015, DCTS issued the Series of 2015 Bond for \$19,405,000, which refunded the Series of 2007 Bond, of which the District's share is approximately \$2,567,576. Approximately 28% of the principal and interest payments to be made by the District will be eligible for reimbursement from the Pennsylvania Department of Education. For the year ended June 30, 2025, the District paid to DCTS \$1,166,229 for tuition and \$225,214 for debt service. The District also received a refund from DCTS of \$6,937 due to a surplus from the year ended June 30, 2024 being distributed to participating districts.

Complete financial statements for each of the entities described above can be obtained from the administrative office of each.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

13. Joint ventures (continued):

The accompanying financial statements do not include the District's share of bonds payable for DCTS. Debt service requirements, including interest, on the DCTS bonds are as follows:

<u>Year ending June 30,</u>	<u>DCTS</u>
2026	\$ 231,740
2027	232,193
2028	231,485
2029	231,721
2030	231,599
2031	<u>231,744</u>
	<u>\$ 1,390,482</u>

If DCTS ceases to be a going concern, the District could be obligated to satisfy its portion of the debt obligations. Concurrently, the allocable assets could be transferred to participating entities.

14. Participation in risk sharing pool:

Workers' compensation:

The District is a participant in a risk sharing pool to provide workers' compensation coverage. The expense for this coverage was \$99,788, comprised of a self-insured retention of \$29,371 and a contribution to the Central Fund of \$70,417. Actual claims during the year are paid out of the self-insured retention first. Claims that exceed the self-insured retention are satisfied by the Central Fund. The Central Fund maintains excess insurance to cover any claims that exceed \$500,000 per accident. There are approximately 75 districts participating in the pool. Each member owns a proportion of the pool based upon the funds deposited by each member over the preceding 12 months. If there is a deficiency in the pooled funds, each member is assessed an amount equal to their proportional share as described above. Upon withdrawal by an individual member from the pool, the terminating member has no rights to funds in the pool. As of June 30, 2025, the District is not aware of any additional assessments relating to the Central Fund.

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

14. Participation in risk sharing pool (continued):

Medical:

The District maintains a self-insured medical benefit plan. Under this program, the District pays varying amounts of reasonable and customary healthcare expenses. For the year ended June 30, 2025, the District was limited in liability for claims to \$185,000 per individual. Actual claims paid for the year ended June 30, 2025 were \$8,373,946. The District estimates its unpaid claims based on estimates of the liabilities for claims incurred. Estimated claims for medical expenses incurred from July 1, 2024 to June 30, 2025, which were processed after June 30, 2025, totaled \$1,433,233 and have been reflected in accrued salaries and benefits. Changes in the School District's claims liability were as follows:

	<u>Beginning of year liability</u>	<u>Estimated claims</u>	<u>Claims paid</u>	<u>End of year liability</u>
2023-2024	\$ 1,049,838	\$ 8,473,106	\$ 8,406,311	\$ 1,116,633
2024-2025	1,116,633	8,690,546	8,373,946	1,433,233

Other risks:

The School District is exposed to various risks of loss related to theft and destruction of assets, errors and omissions, natural disasters and other potential risks of loss. The School District has generally purchased insurance to safeguard its assets from risk of loss. During the year ended June 30, 2025 and the two previous fiscal years, no settlements significantly exceeded insurance coverage.

15. Contingent liabilities:

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

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

16. Fund balances:

At June 30, 2025, the School District has the following fund balances:

	General Fund	Capital projects fund	Nonmajor Funds	Total governmental funds
Nonspendable, inventory	\$ 30,000	\$ -	\$ -	\$ 30,000
Restricted:				
Capital projects	-	14,213,151	-	14,213,151
Capital reserve	-	-	1,814,814	1,814,814
Capital contingency	-	-	383,429	383,429
		<u>14,213,151</u>	<u>2,198,243</u>	<u>16,411,394</u>
Committed, facilities and future employee benefit increases	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Assigned:				
Projected operating deficit	3,898,962	-	-	3,898,962
DCTS - from Harrisburg School District buy-in	715,471	-	-	715,471
Turf field	83,013	-	-	83,013
	<u>4,697,446</u>	<u>-</u>	<u>-</u>	<u>4,697,446</u>
Unassigned	<u>5,222,843</u>	<u>-</u>	<u>-</u>	<u>5,222,843</u>
	<u>\$ 12,450,289</u>	<u>\$ 14,213,151</u>	<u>\$ 2,198,243</u>	<u>\$ 28,861,683</u>

17. Commitments:

The District is party to an agreement with H.E. Rohrer, Inc. (Rohrer) for the transportation of students residing within the District whereby the District will pay Rohrer an amount each year calculated pursuant to the Commonwealth reimbursement formula for contractor-provided transportation. This agreement expires on June 30, 2029. For the year ended June 30, 2025, the District incurred expenditures of \$3,044,519 to Rohrer for transportation services.

18. Subsequent events:

The District has evaluated subsequent events through December 9, 2025, the date that the financial statements were available to be issued.

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Required supplementary information) (unaudited) FOR THE VALUATION YEARS ENDED JUNE 30 (See independent auditor's report)

For the valuation year ended June 30	The District's proportion of the net pension liability	The District's proportionate share of the net pension liability	The District's covered employee payroll	The District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2024	0.1860 %	\$ 77,850,000	\$ 29,514,155	263.77 %	64.63 %
2023	0.1844	82,033,000	28,189,760	291.00	61.85
2022	0.1881	83,627,000	27,613,743	302.85	61.34
2021	0.1926	79,075,000	27,262,253	290.05	63.67
2020	0.1927	94,884,000	27,017,556	351.19	54.32
2019	0.1911	89,402,000	26,353,067	339.25	55.66
2018	0.1939	93,082,000	26,106,739	356.54	54.00
2017	0.1925	95,073,000	25,622,816	371.05	51.84
2016	0.1918	95,050,000	24,837,335	382.69	50.14
2015	0.1912	82,818,000	24,595,060	336.73	54.36

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS

(Required supplementary information)

(unaudited)

FOR THE VALUATION YEARS ENDED JUNE 30

(See independent auditor's report)

For the valuation year ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	The District's covered employee payroll	Contributions as a percentage of covered employee payroll
2024	\$ 9,766,524	\$ 9,869,000	\$ (102,476)	\$ 29,514,155	33.44 %
2023	9,657,478	9,090,000	567,478	28,189,760	32.25
2022	9,374,537	9,419,000	(44,463)	27,613,743	34.11
2021	9,152,660	9,180,000	(27,340)	27,262,253	33.67
2020	9,003,487	9,023,000	(19,513)	27,017,556	33.40
2019	8,558,000	8,572,000	(14,000)	26,353,067	32.53
2018	8,228,000	8,244,000	(16,000)	26,106,739	31.58
2017	7,363,000	7,415,000	(52,000)	25,622,816	28.94
2016	6,102,000	6,141,000	(39,000)	24,837,335	24.72
2015	4,937,000	4,976,000	(39,000)	24,595,060	20.23

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS (Required supplementary information) (unaudited) FOR THE VALUATION YEARS ENDED JUNE 30 (See independent auditor's report)

Total other postemployment benefit (OPEB) liability:											Total OPEB liability as a percentage of covered employee payroll
For the valuation year ended June 30	Service cost	Interest	Change of benefit terms	Differences between expected and actual experience	Changes in assumptions	Benefit payments	Net change in total OPEB liability	Total OPEB liability, beginning	Total OPEB liability, ending	Covered employee payroll	
2024	\$ 555,456	\$ 450,981	\$ -	\$ 1,950,197	\$ 5,274	\$ (606,564)	\$ 2,355,344	\$ 10,692,747	\$ 13,048,091	\$ 27,925,084	46.73 %
2023	520,731	421,843	-	-	139,481	(564,687)	517,368	10,175,379	10,692,747	25,736,668	41.55
2022	988,302	344,605	-	(2,532,626)	(2,538,776)	(462,711)	(4,201,206)	14,376,585	10,175,379	25,736,668	39.54
2021	1,001,009	275,130	-	-	(443,133)	(539,747)	293,259	14,083,326	14,376,585	26,207,679	54.86
2020	621,781	356,568	-	1,860,681	1,538,098	(620,048)	3,757,080	10,326,246	14,083,326	26,207,679	53.74
2019	621,419	316,095	-	-	(292,837)	(663,839)	(19,162)	10,345,408	10,326,246	24,066,245	42.91
2018	721,345	399,567	(599,818)	(1,980,046)	65,613	(666,836)	(2,060,175)	12,405,583	10,345,408	24,066,245	42.99
2017	725,418	308,695	-	-	10,255	(678,103)	366,265	12,039,318	12,405,583	23,262,911	53.33

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

Note to schedule:

Changes in assumptions:

The discount rate changed from 4.13% to 4.29%. The trend assumption was updated. The percentage of eligible retirees assumed to elect coverage in the plan increased from 50% to 75% for subsidized support staff. The percentage of future retirees assumed to be married and have a spouse covered by the plan at retirement decreased from 50% to 35% for teachers.

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (HIPAP) LIABILITY (Required supplementary information) (unaudited) FOR THE VALUATION YEARS ENDED JUNE 30 (See independent auditor's report)

For the valuation year ended June 30	The District's proportion of the net OPEB (HIPAP) liability	The District's proportionate share of the net OPEB (HIPAP) liability	The District's covered employee payroll	The District's proportionate share of the net OPEB (HIPAP) liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB (HIPAP) liability
2024	0.1859 %	\$ 3,302,000	\$ 29,514,155	11.19 %	7.13 %
2023	0.1840	3,329,000	28,189,760	11.81	7.22
2022	0.1878	3,457,000	27,613,743	12.52	6.86
2021	0.1923	4,558,000	27,262,253	16.72	5.30
2020	0.1925	4,159,000	27,017,556	15.39	5.69
2019	0.1911	4,064,000	26,353,067	15.42	5.56
2018	0.1939	4,043,000	26,106,739	15.49	5.56
2017	0.1925	3,922,000	25,622,816	15.31	5.73

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S OPEB (HIPAP) CONTRIBUTIONS
(Required supplementary information)
(unaudited)
FOR THE VALUATION YEARS ENDED JUNE 30
(See independent auditor's report)

For the valuation year ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	The District's covered employee payroll	Contributions as a percentage of covered employee payroll
2024	\$ 189,000	\$ 191,000	\$ (2,000)	\$ 29,514,155	0.65 %
2023	210,000	212,000	(2,000)	28,189,760	0.75
2022	219,000	221,000	(2,000)	27,613,743	0.80
2021	224,000	224,000	-	27,262,253	0.82
2020	227,000	227,000	-	27,017,556	0.84
2019	219,000	219,000	-	26,353,067	0.83
2018	217,000	217,000	-	26,106,739	0.83
2017	213,000	213,000	-	25,622,816	0.83

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2025 (See independent auditor's report)

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive negative
	Original	Final		
Revenues:				
Local sources:				
Real estate taxes and penalties	\$ 36,419,676	\$ 36,419,676	\$ 36,578,829	\$ 159,153
Other taxes and penalties	9,347,925	9,347,925	11,170,754	1,822,829
Investment income	1,000,000	1,000,000	1,114,627	114,627
Rent	50,000	50,000	44,616	(5,384)
Other revenue	1,084,565	1,084,565	950,603	(133,962)
Total local sources	47,902,166	47,902,166	49,859,429	1,957,263
State sources	26,842,168	26,842,168	27,469,049	626,881
Federal sources	858,083	858,083	709,131	(148,952)
Total revenues	75,602,417	75,602,417	78,037,609	2,435,192
Expenditures:				
Instruction:				
Regular programs	30,797,940	30,595,540	29,990,866	604,674
Special programs	13,758,376	14,128,376	14,126,646	1,730
Vocational programs	3,176,333	3,176,333	3,102,571	73,762
Other instructional programs	1,317,592	1,317,592	1,315,527	2,065
Community/junior college programs	196,327	196,327	196,327	-
Pre-kindergarten	21,233	21,233	17,728	3,505
	49,267,801	49,435,401	48,749,665	685,736

(continued)

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED) (Required supplementary information) (unaudited) YEAR ENDED JUNE 30, 2025 (See independent auditor's report)

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Expenditures (continued):				
Support services:				
Pupil personnel services	\$ 3,182,085	\$ 3,182,085	\$ 2,896,744	\$ 285,341
Instructional staff services	4,026,579	4,026,579	3,984,319	42,260
Administrative services	4,595,247	4,595,247	4,339,579	255,668
Pupil health	967,533	977,233	976,925	308
Business services	749,316	749,316	664,175	85,141
Operation and maintenance of plant services	7,965,486	8,175,386	8,174,959	427
Student transportation services	3,730,294	3,730,294	3,274,259	456,035
Central	587,508	587,508	503,270	84,238
Other support services	40,706	40,706	40,176	530
	<u>25,844,754</u>	<u>26,064,354</u>	<u>24,854,406</u>	<u>1,209,948</u>
Operation of noninstructional services:				
Student activities	1,216,439	1,229,239	1,228,827	412
Community services	22,700	22,700	13,156	9,544
	<u>1,239,139</u>	<u>1,251,939</u>	<u>1,241,983</u>	<u>9,956</u>
Debt service	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Total expenditures	<u>76,373,694</u>	<u>76,773,694</u>	<u>74,846,054</u>	<u>1,927,640</u>
Excess (deficiency) of revenues over expenditures	<u>(771,277)</u>	<u>(1,171,277)</u>	<u>3,191,555</u>	<u>4,362,832</u>

LOWER DAUPHIN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
(Required supplementary information)
(unaudited)
YEAR ENDED JUNE 30, 2025
(See independent auditor's report)

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Other financing uses:				
Interfund operating transfers out	\$ 3,506,306	\$ 3,506,306	\$ 3,504,419	\$ 1,887
Budgetary reserve	400,000	-	-	-
Total other financing uses	3,906,306	3,506,306	3,504,419	1,887
Net change in fund balance	\$ (4,677,583)	\$ (4,677,583)	(312,864)	\$ 4,364,719
Fund balance:				
July 1, 2024			12,763,153	
June 30, 2025			\$ 12,450,289	

See notes to the statement of revenues, expenditures and changes in fund balances – budget and actual – General Fund

LOWER DAUPHIN SCHOOL DISTRICT

NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

(Required supplementary information)

(unaudited)

YEAR ENDED JUNE 30, 2025

(See independent auditor's report)

Budgetary data:

Lower Dauphin School District follows the following procedures in establishing the budgetary data reflected in the budget and actual statement:

1. Prior to May 31, management submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the procedures require the budget to be legally enacted.
4. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the board. Budgetary information is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
5. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances at June 30, 2025.
7. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles for fund accounting except that a budgetary reserve is provided.

LOWER DAUPHIN SCHOOL DISTRICT

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2025

(See independent auditor's report)

	<u>Capital reserve</u>	<u>Capital contingency</u>	<u>Total nonmajor funds</u>
Assets:			
Restricted:			
Cash, cash equivalents and equity in pooled cash and investments	\$ 1,814,814	\$ 3,659	\$ 1,818,473
Investments	<u>-</u>	<u>379,770</u>	<u>379,770</u>
Total assets	<u>\$ 1,814,814</u>	<u>\$ 383,429</u>	<u>\$ 2,198,243</u>
Total fund balances, restricted	<u>\$ 1,814,814</u>	<u>\$ 383,429</u>	<u>\$ 2,198,243</u>

See notes to financial statements.

LOWER DAUPHIN SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(See independent auditor's report)

	Capital reserve	Capital contingency	Total nonmajor funds
Revenue, local sources, investment income	<u>\$ 36,061</u>	<u>\$ 17,223</u>	<u>\$ 53,284</u>
Net change in fund balances	36,061	17,223	53,284
Fund balances, restricted:			
Beginning	<u>1,778,753</u>	<u>366,206</u>	<u>2,144,959</u>
Ending	<u>\$ 1,814,814</u>	<u>\$ 383,429</u>	<u>\$ 2,198,243</u>

See notes to financial statements.

<div> <div>LOWER DAUPHIN SCHOOL DISTRICT</div> <div> <div>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</div> <div>YEAR ENDED JUNE 30, 2025</div> <div>(See independent auditor's report)</div> </div> </div>											
Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received (refunded) for the year	Accrued (unearned) revenue at July 1, 2024	Revenue recognized	Expenses incurred	Accrued (unearned) revenue at June 30, 2025	Passed through to subrecipients
U.S. Department of Education:											
Passed through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies:	I	84.010	013-240231	07/23/23 - 09/30/24	\$ 482,343	\$ 214,375	\$ 482,343	\$ -	\$ -	\$ 267,968	\$ -
	I	84.010	013-250231	08/22/24 - 09/30/25	476,766	476,766	-	476,213	476,213	(553)	-
Title II - Improving Teacher Quality	I	84.367	020-240231	07/23/23 - 09/30/24	84,668	37,630	84,668	-	-	47,038	-
	I	84.367	020-250231	08/22/24 - 09/30/25	81,329	81,944	-	81,329	81,329	(615)	-
Title IV - Student Support and Academic Enrichment:	I	84.424	144-240231	07/23/23 - 09/30/24	38,072	16,921	38,072	-	-	21,151	-
	I	84.424	144-250231	08/22/24 - 09/30/25	36,324	28,252	-	36,324	36,324	8,072	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund:	I	84.425U	FA-200-20-0231	03/13/20 - 09/30/23	3,721,136	67,657	67,657	-	-	-	-
Total passed through the Pennsylvania Department of Education						923,545	672,740	593,866	593,866	343,061	-
Passed through the Capital Area Intermediate Unit:											
Special Education Cluster:											
Special Education Grant to States - IDEA, Part B:	I	84.027	062-24-0015	07/01/23 - 06/30/24	707,665	707,665	707,665	-	-	-	-
	I	84.027	062-25-0015	07/01/24 - 06/30/25	665,808	433,190	-	665,808	665,808	232,618	-
Special Education Preschool Grants - IDEA, Preschool (619)	I	84.173	131-24-0015	07/01/23 - 06/30/24	5,900	5,900	5,900	-	-	-	-
	I	84.173	131-25-0015	07/01/24 - 06/30/25	4,180	4,180	-	4,180	4,180	-	-
						1,150,935	713,565	669,988	669,988	232,618	-
Passed through the Intermediate Unit 1:											
Special Education Cluster:											
Special Education Grant to States - IDEA, Part B:	I	84.027	062-25-0032	07/01/24 - 06/30/25	5,000	5,000	-	5,000	5,000	-	-
Total Special Education Cluster:						1,155,935	713,565	674,988	674,988	232,618	-
Total U.S. Department of Education						2,079,480	1,386,305	1,268,854	1,268,854	575,679	-

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025
(See independent auditor's report)

Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 1, 2024	Revenue recognized	Expenses incurred	Accrued (unearned) revenue at June 30, 2025	Passed through to subrecipients
<u>U.S. Department of Health and Human Services:</u>											
Passed through the Pennsylvania Department of Health and Human Services, Medicaid Cluster, ACCESS - Title XIV Medical Assistance:	I	93.778	N/A	07/01/23 - 06/30/24	\$ 2,599	\$ 927	\$ 927	\$ -	\$ -	\$ -	\$ -
	I	93.778	N/A	07/01/24 - 06/30/25	8,330	8,330	-	8,330	8,330	-	-
Total Medicaid Cluster and U.S. Department of Health and Human Services						9,257	927	8,330	8,330	-	-
<u>U.S. Department of Agriculture:</u>											
Child Nutrition Cluster:											
Passed through the Pennsylvania Department of Education:											
National School Lunch Program:	I	10.555	N/A	07/01/23 - 06/30/24	N/A	92,302	92,302	-	-	-	-
	I	10.555	N/A	07/01/24 - 06/30/25	N/A	601,647	-	612,485	612,485	10,838	-
Breakfast (REG/NDY):											
	I	10.553	N/A	07/01/23 - 06/30/24	N/A	20,631	20,631	-	-	-	-
	I	10.553	N/A	07/01/24 - 06/30/25	N/A	131,224	-	133,811	133,811	2,587	-
Total passed through the Pennsylvania Department of Education						845,804	112,933	746,296	746,296	13,425	-
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	192,699 (b)	(13,333) (a)	203,172 (c)	203,172	(2,860) (d)	-
Total Child Nutrition Cluster						1,038,503	99,600	949,468	949,468	10,565	-
Total U.S. Department of Agriculture						1,038,503	99,600	949,468	949,468	10,565	-
<u>U.S. Department of Treasury:</u>											
Passed through the Pennsylvania Commision on Crime and Delinquency:											
"COVID-19" Coronavirus State and Local Fiscal Recovery Funds	I	21.027	2023-CM-01-42221	07/01/23 - 06/30/24	146,046	17,476	-	43,182	43,182	25,706	-
Total U.S. Department of Treasury						17,476	-	43,182	43,182	25,706	-
Total expenditures of federal awards						\$ 3,144,716	\$ 1,486,832	\$ 2,269,834	\$ 2,269,834	\$ 611,950	\$ -

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) YEAR ENDED JUNE 30, 2025 (See independent auditor's report)

Source codes:

I = Indirect funding

Child Nutrition Cluster

10.553	School Breakfast Program	\$	133,811	
10.555	National School Lunch Program		612,485	
10.555	National School Lunch Program, Donated Commodities		<u>203,172</u>	
	Total Child Nutrition Cluster		<u>949,468</u>	
	Total expenditures per above	<u>\$ 2,269,834</u>	=	<u>41.83%</u> Programs meet the 20% requirement

Notes to schedule of expenditures of federal awards:

Note 1 Significant accounting policies:

The schedule of expenditures of federal awards presents the activity of all federal award programs for the District for the year ended June 30, 2025. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

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

Note 2 Food distribution:

- (a) Beginning inventory at July 1
- (b) Total amount of commodities received from the Department of Agriculture
- (c) Total amount of commodities used
- (d) Ending inventory at June 30

Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards

Independent Auditor's Report

Board of School Directors
Lower Dauphin School District
Hummelstown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lower Dauphin 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 9, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Brown Plus". The script is cursive and fluid.

Camp Hill, Pennsylvania
December 9, 2025

Report on Compliance for the
Major Federal Program and Report on Internal Control
Over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

Board of School Directors
Lower Dauphin School District
Hummelstown, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Lower Dauphin School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lower Dauphin School District's major federal program for the year ended June 30, 2025. Lower Dauphin School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

Responsibilities of Management for Compliance

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

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 Lower Dauphin School District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lower Dauphin School District's compliance with the requirements of the 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 Lower Dauphin School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lower Dauphin School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lower Dauphin School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Brown Plus

Camp Hill, Pennsylvania
December 9, 2025

LOWER DAUPHIN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2025

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 deficiencies identified that are not
considered to be material weakness(es)?

_____ 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 deficiencies identified that are not
considered to be material weakness(es)?

_____ yes X none reported

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

Unmodified

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

_____ yes X no

Federal awards

Identification of major programs:

Federal assistance listing numbers

10.553
10.555
10.555

Name of federal program or cluster

Child Nutrition Cluster:
School Breakfast Program
National School Lunch Program
National School Lunch Program -
Donated Commodities

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

II. FINANCIAL STATEMENT FINDINGS:

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None

LOWER DAUPHIN SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025**

There were no prior year audit findings.