

SOUTHMORELAND SCHOOL DISTRICT

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## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2025**

**SOUTHMORELAND  
SCHOOL DISTRICT**  
SCOTTDALÉ, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

AND

SUPPLEMENTARY INFORMATION AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND THE UNIFORM GUIDANCE

WITH INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED  
JUNE 30, 2025**

**SOUTHMORELAND SCHOOL DISTRICT**  
**SCOTSDALE, PENNSYLVANIA**  
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**SCOTSDALE, PENNSYLVANIA**  
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# **Turnley Robertson & Associates LLC**

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1000 3<sup>rd</sup> Avenue  
New Brighton, Pennsylvania 15066  
(724) 384-1081  
FAX (724) 384-8908

**Management and Board of Education  
Southmoreland School District  
Scottdale, Pennsylvania**

## **Independent Auditor's Report**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Southmoreland School District, Scottdale, Pennsylvania as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Southmoreland School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Southmoreland School District as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Southmoreland School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv-xiii and the other required supplementary information on pages 51-58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southmoreland School District's basic financial statements. The accompanying supplementary information – Schedule of General Fund Revenues (Final Budget and Actual) and Schedule of General Fund Expenditures (Final Budget and Actual), on pages 46-50 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 64 is presented for purposes of additional analysis 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, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of General Fund Revenues (Final Budget and Actual), Schedule of General Fund Expenditures (Final Budget and Actual), Combining Balance Sheet - Nonmajor Governmental Funds, and Combining Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds, and 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 March 25, 2026, on our consideration of the Southmoreland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southmoreland School 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 the Southmoreland School District's internal control over financial reporting and compliance.

*Turnley Robertson & Associates, LLC*

Turnley Robertson & Associates LLC

March 25, 2026  
New Brighton, Pennsylvania

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**INTRODUCTION**

The discussion and analysis of the Southmoreland School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2025. This discussion and analysis present the district's financial performance as a whole. The financial statements and the notes to the basic financial statements provide a more detailed look at the finances for the 2024-2025 school year.

The Management Discussion and Analysis (MD&A) is a requirement of the Annual Comprehensive Financial Report (ACFR) conforming to the model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB 34 requires a comparison of certain information between the current year and the prior year.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2024-2025 fiscal year are as follows:

- The District's total governmental and business-type activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2025 by \$10,690,928 (net position – deficit). The deficit net position is mainly the result of the District's implementation of GASB 68 '*Accounting and Financial Reporting for Pensions*' and GASB 75 '*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*' (OPEB). The District is required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension and OPEB liability, plus the District's share of OPEB liabilities as well to retirees. For the Southmoreland School District, the pension liability was \$36,288,000 and the OPEB liability was \$3,583,625 as of June 30, 2025.
- Total revenues were \$37,487,200 (excluding other financing sources), for all governmental funds, of which the General Fund accounted for \$37,415,013 of this total. The governmental funds revenue increased by \$1,158,442 from the 2023-2024 fiscal year.
- The School District had \$47,478,227 (excluding other financing uses), in expenditures for all governmental funds, of which \$37,896,795 were accounted for in the General Fund. Total governmental fund expenditures for the 2024-2025 fiscal year represent an increase of \$11,433,111 from the 2023-2024 fiscal year.
- At the end of the current fiscal year, the fund balance of the General Fund was \$5,251,066. Of this amount, \$2,454,806 was assigned for tax appeals, cyber charter school tuition increases, and capital expenditures, while the remaining balance of \$2,587,986 was unassigned and may be used at the District's discretion for general operating purposes. In total, General Fund balance decreased \$213,464 from the 2023-2024 fiscal year.

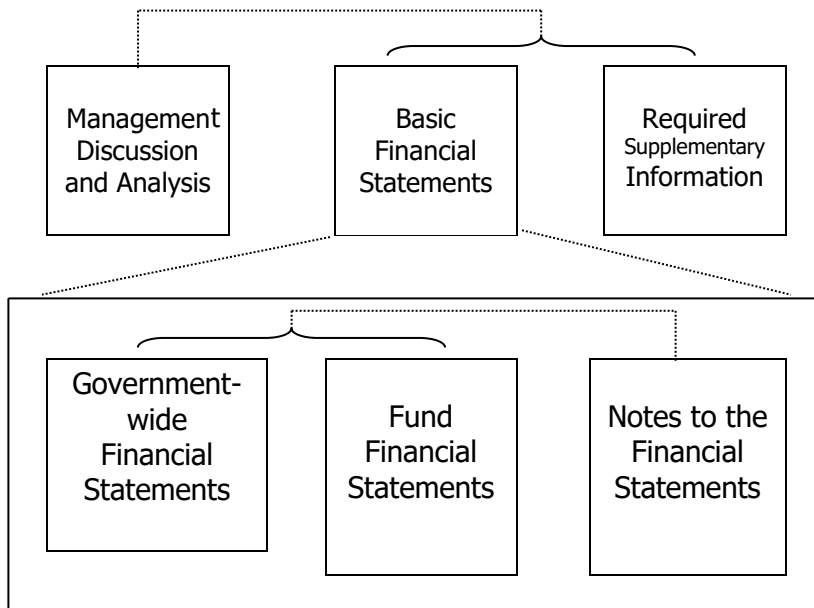
**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**USING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)**

The Annual Comprehensive Financial Report (ACFR) consists of this Management Discussion and Analysis and a series of financial statements and notes to those statements. The statements are organized so that the reader can understand Southmoreland School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1  
Required components of  
Southmoreland School District's  
Financial Report



**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**USING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) (Continued)**

Figure A-2 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 discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Major Features of Southmoreland School District's  
Government-wide and Fund Financial Statements  
Fund Statements

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

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING 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 includes all the government's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

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

To assess the overall health of the District, the reader needs to consider additional non-financial 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, student support, administration and community services. Property taxes, 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 students, staff and visitors to help it cover the costs of the food service operation.

**Fund Financial Statements**

The District's fund financial statements, which begin on Page 3, provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be reported separately by state law and by bond requirements.

**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 and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary funds** – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

**Fiduciary funds** - The District is the trustee, or fiduciary, for some private purpose trust funds and student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Net Position on Pages 11 and 12. 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**

A comparative breakdown of assets, liabilities and net position of the District for the past two fiscal years is as follows:

Table A-1  
Fiscal Year Ended June 30, 2025 and 2024  
Net Position

|                                                                | -----JUNE 30, 2025-----    |                             |                        | JUNE 30, 2024          |
|----------------------------------------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
|                                                                | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                  | TOTAL                  |
| Current Assets                                                 | \$ 24,580,828              | \$ 1,482,173                | \$ 26,063,001          | \$ 13,849,896          |
| Capital Assets                                                 | 36,011,706                 | 288,868                     | 36,300,574             | 31,866,752             |
| Deferred Outflows of Resources                                 | 6,984,095                  | 188,195                     | 7,172,290              | 9,261,549              |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b>\$ 67,576,629</b>       | <b>\$ 1,959,236</b>         | <b>\$ 69,535,865</b>   | <b>\$ 54,978,197</b>   |
| Current Liabilities                                            | \$ 11,907,913              | \$ 91,173                   | \$ 11,999,086          | \$ 7,899,133           |
| Long-Term Liabilities                                          | 64,759,011                 | 1,195,948                   | 65,954,959             | 58,760,079             |
| Deferred Inflows of Resources                                  | 2,216,408                  | 56,430                      | 2,272,838              | 1,733,303              |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b>\$ 78,883,332</b>       | <b>\$ 1,343,551</b>         | <b>\$ 80,226,883</b>   | <b>\$ 68,392,515</b>   |
| Net Investment in Capital Assets                               | \$ 17,443,642              | \$ 288,868                  | \$ 17,732,510          | \$ 15,294,430          |
| Restricted                                                     | 25,056                     | -                           | 25,056                 | 24,549                 |
| Unrestricted (Deficit)                                         | (28,775,401)               | 326,907                     | (28,448,494)           | (28,733,397)           |
| <b>TOTAL NET POSITION (Deficit)</b>                            | <b>\$ (11,306,703)</b>     | <b>\$ 615,775</b>           | <b>\$ (10,690,928)</b> | <b>\$ (13,414,418)</b> |

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented 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 State of Pennsylvania, and the local taxes assessed to community taxpayers.

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The following Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and change to the net position for the past two fiscal years.

Table A-2  
Fiscal Year Ended June 30, 2025 and June 30, 2024  
Changes in Net Position

|                                      | ----- JUNE 30, 2025 -----  |                             |                      | JUNE 30, 2024        |
|--------------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
|                                      | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                | TOTAL                |
| <b>REVENUES</b>                      |                            |                             |                      |                      |
| <b>Program Revenues:</b>             |                            |                             |                      |                      |
| Charges for Services                 | \$ 89,568                  | \$ 96,656                   | \$ 186,224           | \$ 235,945           |
| Grants and Contributions             | 10,083,451                 | 1,368,459                   | 11,451,910           | 11,023,601           |
| <b>General Revenues:</b>             |                            |                             |                      |                      |
| Property, Other Taxes                | 14,257,758                 | -                           | 14,257,758           | 14,226,428           |
| Grants, Subsidies and Contributions  | 12,506,673                 | -                           | 12,506,673           | 12,084,313           |
| Investment Earnings                  | 364,682                    | 48,186                      | 412,868              | 360,237              |
| Miscellaneous                        | 444,239                    | -                           | 444,239              | 322,943              |
| Sale of Fixed Assets                 | 3,501                      | -                           | 3,501                | 1,858                |
| Transfer to Fiduciary Fund           | -                          | -                           | -                    | (407)                |
| <b>TOTAL REVENUES</b>                | <b>\$ 37,749,872</b>       | <b>\$ 1,513,301</b>         | <b>\$ 39,263,173</b> | <b>\$ 38,254,918</b> |
| <b>EXPENSES</b>                      |                            |                             |                      |                      |
| Instruction                          | \$ 22,222,594              | \$ -                        | \$ 22,222,594        | \$ 21,288,259        |
| Instructional Student Support        | 1,949,445                  | -                           | 1,949,445            | 1,577,155            |
| Administrative and Financial Support | 3,545,377                  | -                           | 3,545,377            | 3,082,834            |
| Operation and Maintenance of Plant   | 3,434,868                  | -                           | 3,434,868            | 3,198,041            |
| Pupil Transportation                 | 2,635,861                  | -                           | 2,635,861            | 2,666,006            |
| Student Activities                   | 876,415                    | -                           | 876,415              | 871,866              |
| Community Services                   | 25,653                     | -                           | 25,653               | 19,916               |
| Interest on Long-term Debt           | 473,858                    | -                           | 473,858              | 539,318              |
| Food Services                        | -                          | 1,375,714                   | 1,375,714            | 1,332,438            |
| <b>TOTAL EXPENSES</b>                | <b>\$ 35,164,071</b>       | <b>\$ 1,375,714</b>         | <b>\$ 36,539,785</b> | <b>\$ 34,575,833</b> |
| <b>CHANGE IN NET POSITION</b>        | <b>\$ 2,585,801</b>        | <b>\$ 137,587</b>           | <b>\$ 2,723,388</b>  | <b>\$ 3,679,085</b>  |

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, long-term debt, as well as each program's net cost (total cost less revenues generated by the activities) for the past two fiscal years. This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-3  
Fiscal Year Ended June 30, 2025 and June 30, 2024

| Governmental Activities                                    |                          |                        |                          |                        |
|------------------------------------------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                                            | -----JUNE 30, 2025-----  |                        | -----JUNE 30, 2024-----  |                        |
|                                                            | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE |
| <b>EXPENSES</b>                                            |                          |                        |                          |                        |
| Instruction                                                | \$ 22,222,594            | \$ 15,662,842          | \$ 21,288,259            | \$ 15,005,124          |
| Instructional Student Support                              | 1,949,445                | 1,123,021              | 1,577,155                | 1,298,127              |
| Administrative and Financial Support                       | 3,545,377                | 3,059,468              | 3,082,834                | 2,109,886              |
| Operation and Maintenance of Plant                         | 3,434,868                | 3,130,641              | 3,198,041                | 2,842,525              |
| Pupil Transportation                                       | 2,635,861                | 1,501,052              | 2,666,006                | 1,609,890              |
| Student Activities                                         | 876,415                  | 734,953                | 871,866                  | 741,386                |
| Community Services                                         | 25,653                   | 21,510                 | 19,916                   | 9,140                  |
| Interest on Long-term Debt/Refunds                         | 473,858                  | (242,435)              | 539,318                  | (133,584)              |
| <b>TOTAL EXPENSES</b>                                      | <b>\$ 35,164,071</b>     | <b>\$ 24,991,052</b>   | <b>\$ 33,243,395</b>     | <b>\$ 23,482,494</b>   |
| <b>Less:</b>                                               |                          |                        |                          |                        |
| Unrestricted Grants, Subsidies                             |                          | 12,506,673             |                          | 12,084,313             |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                          | <b>\$ 12,484,379</b>   |                          | <b>\$ 11,398,181</b>   |

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4  
Fiscal Year ended June 30, 2025 and June 30, 2024  
Business-Type Activities

|                                       | ----- JUNE 30, 2025 ----- |                        | ----- JUNE 30, 2024 ----- |                        |
|---------------------------------------|---------------------------|------------------------|---------------------------|------------------------|
|                                       | TOTAL COST<br>OF SERVICE  | NET COST<br>OF SERVICE | TOTAL COST<br>OF SERVICE  | NET COST<br>OF SERVICE |
| <b>EXPENSES</b>                       |                           |                        |                           |                        |
| Food Service                          | \$ 1,375,714              | \$ 89,401              | \$ 1,332,438              | \$ 166,207             |
| Investment Earnings                   |                           | 48,186                 |                           | 30,409                 |
| Miscellaneous                         |                           | -                      |                           | 5,499                  |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> |                           |                        |                           |                        |
| <b>NET INCOME &lt;LOSS&gt;</b>        |                           | <b>\$ 137,587</b>      |                           | <b>\$ 202,115</b>      |

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**THE DISTRICT FUNDS**

At June 30, 2025, the District's governmental funds reported a combined fund balance of \$14,338,037 compared to \$6,315,359 for the year ended June 30, 2024. The General Fund balance decreased by \$213,464. The Capital Project Fund had a fund balance of \$9,061,915, an increase of \$8,235,735 from the prior year due to the issuance of General Obligation Bonds, Series of 2025 totaling \$16,480,000. The Permanent Fund increased to \$25,056 from \$24,649 at 6/30/2024. The following is additional information concerning revenues, expenditures and fund balance.

**REVENUES**

The revenues received into the General Fund during 2024-2025 came from three major sources: local, state, and federal revenues. Of total revenues (excluding other financing sources), local revenues account for 40.9%, state revenues 54.8% and federal revenues only 4.3%.

Local revenues can be grouped into two major categories, tax revenues and non-tax revenues. Local real estate tax accounted for 78% of total tax revenues and 72.7% of total local revenues in 2024-2025. Other forms of tax revenue include earned income tax, local service tax, and public utility tax, payments in lieu of taxes, real estate transfer tax and delinquent tax collections. Tax revenue increased in the 2024-2025 fiscal year by approximately \$273,084. Non-tax revenues, including federal monies received through the intermediate unit, athletic admissions and fees, interest earnings, tuition from other PA school districts and other miscellaneous revenues accounted for 6.8% of total local revenues.

Basic education subsidy and retirement subsidy are the two largest sources of state revenue with basic education subsidy providing 54% of the total and retirement subsidy providing 13.2% of the total. State revenues accounted for 54.4% of the total revenues, an increase of \$1,250,987 from 2024-2025.

Federal revenues accounted for 4.3% of the total revenues, a decrease from 2023-2024 of \$450,640. The decrease was due to the District receiving less ESSERs funding during the 2024-2025 fiscal year.

| <b>FUNCTION</b>         | <b>REVENUES</b>      | <b>INCREASE<br/>(DECREASE)<br/>FROM<br/>PRIOR YEAR<br/>ACTUAL</b> | <b>%<br/>CHANGE</b> | <b>ACTUAL<br/>REVENUES<br/>OVER (UNDER)<br/>2024-2025<br/>BUDGET</b> |
|-------------------------|----------------------|-------------------------------------------------------------------|---------------------|----------------------------------------------------------------------|
| Local Sources           | \$ 15,301,081        | \$ 354,061                                                        | 2.4%                | \$ (73,120)                                                          |
| State Sources           | 20,511,798           | 1,250,987                                                         | 6.5%                | 1,065,888                                                            |
| Federal Sources         | 1,602,134            | (450,640)                                                         | -22.0%              | 862,834                                                              |
| Other Financing Sources | 268,318              | 109,667                                                           | 69.1%               | 268,318                                                              |
| <b>TOTAL</b>            | <b>\$ 37,683,331</b> | <b>\$ 1,264,075</b>                                               |                     | <b>\$ 2,123,920</b>                                                  |

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**THE DISTRICT FUNDS (Continued)**

**EXPENDITURES**

The revenues received during the 2024-2025 fiscal year were used to pay General Fund expenditures of \$37,896,795. These expenditures were categorized into five major functions: instruction, support services, non-instructional operations, construction/improvements, and other financing uses.

The 2024-2025 General Fund expenditures increased by \$2,371,053 or 6.7% from the past fiscal year.

| <b>FUNCTION</b>                   | <b>EXPENDITURES</b>  | <b>INCREASE<br/>(DECREASE)<br/>FROM<br/>PRIOR YEAR<br/>ACTUAL</b> | <b>%<br/>CHANGE</b> | <b>ACTUAL<br/>EXPENDITURES<br/>OVER (UNDER)<br/>2024-2025<br/>BUDGET</b> |
|-----------------------------------|----------------------|-------------------------------------------------------------------|---------------------|--------------------------------------------------------------------------|
| Instructional Services            | \$ 22,248,833        | \$ 1,518,275                                                      | 7.3%                | \$ 1,235,111                                                             |
| Support Services                  | 11,435,945           | 601,405                                                           | 5.6%                | 809,439                                                                  |
| Non-instructional Services        | 932,691              | 42,232                                                            | 4.7%                | 60,308                                                                   |
| Construction/Site Improvements    | 318,713              | 171,962                                                           | 117.2%              | 207,313                                                                  |
| Other Financing Uses/Debt Service | 2,960,613            | 37,179                                                            | 1.3%                | (59,038)                                                                 |
| <b>TOTAL</b>                      | <b>\$ 37,896,795</b> | <b>\$ 2,371,053</b>                                               |                     | <b>\$ 2,253,133</b>                                                      |

**GENERAL FUND BUDGET**

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget (transfers) to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 7 of the financial statements.

The District applies for federal, state, and local grants and these grants cannot always be anticipated exactly during the budget development process.

The Budgetary Reserve includes amounts that may be used for unplanned opportunities and/or unexpected costs for improvements/repairs to the District. These amounts will only be appropriated into expenditure categories if the fiscal results of the current year warrant doing so, and the Board approve such transfers.

**SOUTHMORELAND SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2025**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2025, the District had \$36,300,574 invested in a broad range of capital assets, including land, buildings and furniture and equipment, net of depreciation. This amount represents a net increase (including additions, deletions, and depreciation) of \$4,433,822 from 2024-2025 which is as a result of the new asset additions exceeding depreciation expense for the 2024-2025 fiscal year.

**DEBT ADMINISTRATION**

As of July 1, 2024, the District had a total outstanding debt principal of \$16,616,537 on its General Obligation Note Issues and Lease Agreement. The District made payments against principal during the fiscal year on General Obligation Notes, Series 2021, 2021A, and 2022 totaling \$47,000, \$2,562,000, and \$4,051,000 respectively. The District also made payments against the principal on the lease agreement totaling \$52,626. In May of 2025, the District issued General Obligation Bonds – Series of 2025 in the amount of \$16,480,000. At June 30, 2025 the District had outstanding debt of \$26,383,910 with principal and interest payments due totaling \$3,452,856 during the 2025-2026 fiscal year.

Other long-term obligations include accrued vacation pay and sick leave for specific employees of the District, as well as retirement incentive, retiree health insurance, and net pension obligations. More detailed information about our long-term liabilities is included in Notes 9, 10, and 11 to the financial statements.

**SIGNIFICANT FINANCIAL ACTIVITY**

In the 2024-2025 fiscal year, we entered into a \$13,350,000.00 GESA agreement with Constellation. Some of the GESA items we contracted are: lighting upgrades, building envelope improvements, RTU and AHU replacements, parking lot paving, stadium lighting, scoreboard and sound system, gym bleachers and sound system and a Title IX locker room. To pay for this project we had a \$16,480,000.00 bond issue which also includes repayment of our 2022 loan to Truist Bank. The SEIU negotiated a 3-year agreement, starting July 1, 2025. Act 93 has a 5-year agreement, Education Support and Paraprofessionals have a new 2-year agreements. The District continues to look for opportunities to improve educational opportunities for our students while maintaining safe and healthy schools, all while controlling expenses. District enrollment for the 2024/2025 fiscal year was approximately 1,817 students.

Other than those issues listed in the MD&A or in the notes to the audited financial statements, there are no facts currently known to the management that would materially impact the financial statements either favorably or unfavorably at this time.

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

The 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 School District's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, please contact Ms. Pam Mondock, Business Manager at (724) 887-2003 or by mail at Southmoreland School District, Administrative Office, 2351 Route 981, Alverton, PA 15612.

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

**EXHIBIT A**

|                                                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|---------------------------------------------------------------------------|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                                                             |                            |                             |                        |
| <b>Current Assets:</b>                                                    |                            |                             |                        |
| Cash and Cash Equivalents                                                 | \$ 20,927,907              | \$ 1,428,730                | \$ 22,356,637          |
| Investments                                                               | 20,000                     | -                           | 20,000                 |
| Taxes Receivable, net                                                     | 1,443,456                  | -                           | 1,443,456              |
| Internal Balances                                                         | (19,016)                   | 19,016                      | -                      |
| Due From Other Governments                                                | 1,917,633                  | 6,493                       | 1,924,126              |
| Other Receivables                                                         | 82,574                     | 6,355                       | 88,929                 |
| Prepaid Expenses                                                          | 208,274                    | -                           | 208,274                |
| Inventories                                                               | -                          | 21,579                      | 21,579                 |
| <b>Total Current Assets</b>                                               | <b>\$ 24,580,828</b>       | <b>\$ 1,482,173</b>         | <b>\$ 26,063,001</b>   |
| <b>Noncurrent Assets:</b>                                                 |                            |                             |                        |
| Land (non-depreciable)                                                    | \$ 400,450                 | \$ -                        | \$ 400,450             |
| Construction in Progress (non-depreciable)                                | 4,871,833                  | -                           | 4,871,833              |
| Site Improvements (net)                                                   | 1,228,014                  | -                           | 1,228,014              |
| Building & Building Improvements (net)                                    | 27,653,394                 | -                           | 27,653,394             |
| Furniture & Equipment (net)                                               | 1,700,871                  | 288,868                     | 1,989,739              |
| Vehicles (net)                                                            | 131,965                    | -                           | 131,965                |
| Intangible Right-To-Use Asset (net)                                       | 25,179                     | -                           | 25,179                 |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 36,011,706</b>       | <b>\$ 288,868</b>           | <b>\$ 36,300,574</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 60,592,534</b>       | <b>\$ 1,771,041</b>         | <b>\$ 62,363,575</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                            |                             |                        |
| Deferred Outflows Related to Pension                                      | \$ 5,837,238               | \$ 180,533                  | \$ 6,017,771           |
| Deferred Outflows Related to OPEB                                         | 1,146,857                  | 7,662                       | 1,154,519              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 6,984,095</b>        | <b>\$ 188,195</b>           | <b>\$ 7,172,290</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 67,576,629</b>       | <b>\$ 1,959,236</b>         | <b>\$ 69,535,865</b>   |
| <b>LIABILITIES</b>                                                        |                            |                             |                        |
| <b>Current Liabilities:</b>                                               |                            |                             |                        |
| Accounts Payable                                                          | \$ 5,447,145               | \$ 61,243                   | \$ 5,508,388           |
| Bonds Payable - Current Portion                                           | 5,000                      | -                           | 5,000                  |
| Notes Payable - Current Portion                                           | 2,634,000                  | -                           | 2,634,000              |
| Lease Payable - Current Portion                                           | 26,910                     | -                           | 26,910                 |
| Accrued Interest                                                          | 196,736                    | -                           | 196,736                |
| Accrued Salaries and Benefits                                             | 2,868,504                  | 2,474                       | 2,870,978              |
| Payroll Deductions and Withholdings                                       | 551,120                    | -                           | 551,120                |
| Retirement Incentives - Current Portion                                   | 157,102                    | -                           | 157,102                |
| Unearned Revenue                                                          | 21,396                     | 27,456                      | 48,852                 |
| <b>Total Current Liabilities</b>                                          | <b>\$ 11,907,913</b>       | <b>\$ 91,173</b>            | <b>\$ 11,999,086</b>   |
| <b>Noncurrent Liabilities:</b>                                            |                            |                             |                        |
| Bonds Payable - Long Term Portion (net)                                   | \$ 17,721,069              | \$ -                        | \$ 17,721,069          |
| Notes Payable - Long Term Portion                                         | 7,243,000                  | -                           | 7,243,000              |
| Net Pension Liability                                                     | 35,199,360                 | 1,088,640                   | 36,288,000             |
| Net OPEB Liability                                                        | 3,537,725                  | 45,900                      | 3,583,625              |
| Retirement Incentives - Long Term Portion                                 | 250,315                    | -                           | 250,315                |
| Accrued Compensated Absences                                              | 807,542                    | 61,408                      | 868,950                |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 64,759,011</b>       | <b>\$ 1,195,948</b>         | <b>\$ 65,954,959</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 76,666,924</b>       | <b>\$ 1,287,121</b>         | <b>\$ 77,954,045</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                            |                             |                        |
| Deferred Inflows Related to Pension                                       | \$ 1,464,700               | \$ 45,300                   | \$ 1,510,000           |
| Deferred Inflows Related to OPEB                                          | 751,708                    | 11,040                      | 762,748                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 2,216,408</b>        | <b>\$ 56,340</b>            | <b>\$ 2,272,748</b>    |
| <b>NET POSITION</b>                                                       |                            |                             |                        |
| Net Investment in Capital Assets                                          | \$ 17,443,642              | \$ 288,868                  | \$ 17,732,510          |
| Restricted                                                                | 25,056                     | -                           | 25,056                 |
| Unrestricted (Deficit)                                                    | (28,775,401)               | 326,907                     | (28,448,494)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b>\$ (11,306,703)</b>     | <b>\$ 615,775</b>           | <b>\$ (10,690,928)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 67,576,629</b>       | <b>\$ 1,959,236</b>         | <b>\$ 69,535,865</b>   |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**EXHIBIT B**

| Functions/Programs                                | Expenses             | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                        |
|---------------------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|------------------------|
|                                                   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                  |
| <b>Governmental Activities:</b>                   |                      |                         |                                          |                                        |                                                      |                             |                        |
| Instruction                                       | \$ 22,222,594        | \$ -                    | \$ 6,559,752                             | \$ -                                   | \$ (15,662,842)                                      |                             | \$ (15,662,842)        |
| Instructional Student Support                     | 1,949,445            | -                       | 826,424                                  | -                                      | (1,123,021)                                          |                             | (1,123,021)            |
| Administrative and Financial Support Services     | 3,545,377            | -                       | 485,909                                  | -                                      | (3,059,468)                                          |                             | (3,059,468)            |
| Operation and Maintenance of Plant Services       | 3,434,868            | 28,895                  | 275,332                                  | -                                      | (3,130,641)                                          |                             | (3,130,641)            |
| Pupil Transportation                              | 2,635,861            | -                       | 1,134,809                                | -                                      | (1,501,052)                                          |                             | (1,501,052)            |
| Student Activities                                | 876,415              | 60,673                  | 80,789                                   | -                                      | (734,953)                                            |                             | (734,953)              |
| Community Services                                | 25,653               | -                       | 4,143                                    | -                                      | (21,510)                                             |                             | (21,510)               |
| Interest on Long-Term Debt                        | 473,858              | -                       | -                                        | 716,293                                | 242,435                                              |                             | 242,435                |
| <b>Total Governmental Activities</b>              | <b>\$ 35,164,071</b> | <b>\$ 89,568</b>        | <b>\$ 9,367,158</b>                      | <b>\$ 716,293</b>                      | <b>\$ (24,991,052)</b>                               |                             | <b>\$ (24,991,052)</b> |
| <b>Business-Type Activities:</b>                  |                      |                         |                                          |                                        |                                                      |                             |                        |
| Food Service                                      | \$ 1,375,714         | \$ 96,656               | \$ 1,368,459                             | \$ -                                   | \$ -                                                 | \$ 89,401                   | \$ 89,401              |
| <b>Total Business-Type Activities</b>             | <b>\$ 1,375,714</b>  | <b>\$ 96,656</b>        | <b>\$ 1,368,459</b>                      | <b>\$ -</b>                            | <b>\$ -</b>                                          | <b>\$ 89,401</b>            | <b>\$ 89,401</b>       |
| <b>Total Primary Government</b>                   | <b>\$ 36,539,785</b> | <b>\$ 186,224</b>       | <b>\$ 10,735,617</b>                     | <b>\$ 716,293</b>                      | <b>\$ (24,991,052)</b>                               | <b>\$ 89,401</b>            | <b>\$ (24,901,651)</b> |
| <b>General Revenues:</b>                          |                      |                         |                                          |                                        |                                                      |                             |                        |
| Taxes:                                            |                      |                         |                                          |                                        |                                                      |                             |                        |
| Property Taxes, Levied for General Purposes (net) |                      |                         |                                          |                                        | \$ 11,846,145                                        | \$ -                        | \$ 11,846,145          |
| Taxes Levied for Specific Purposes                |                      |                         |                                          |                                        | 2,159,836                                            | -                           | 2,159,836              |
| Payment in Lieu of Taxes                          |                      |                         |                                          |                                        | 251,777                                              | -                           | 251,777                |
| State Property Tax Relief                         |                      |                         |                                          |                                        | 1,420,943                                            | -                           | 1,420,943              |
| Basic Subsidy                                     |                      |                         |                                          |                                        | 11,085,730                                           | -                           | 11,085,730             |
| Investment Earnings                               |                      |                         |                                          |                                        | 364,682                                              | 48,186                      | 412,868                |
| Miscellaneous Revenue                             |                      |                         |                                          |                                        | 444,239                                              | -                           | 444,239                |
| Gain (Loss) on Disposition of Fixed Assets        |                      |                         |                                          |                                        | 3,501                                                | -                           | 3,501                  |
| <b>Total General Revenues</b>                     |                      |                         |                                          |                                        | <b>\$ 27,576,853</b>                                 | <b>\$ 48,186</b>            | <b>\$ 27,625,039</b>   |
| <b>Change in Net Position</b>                     |                      |                         |                                          |                                        | <b>\$ 2,585,801</b>                                  | <b>\$ 137,587</b>           | <b>\$ 2,723,388</b>    |
| Net Position - July 1, 2024 (Deficit)             |                      |                         |                                          |                                        | (13,892,504)                                         | 478,188                     | (13,414,316)           |
| <b>Net Position — June 30, 2025 (Deficit)</b>     |                      |                         |                                          |                                        | <b>\$ (11,306,703)</b>                               | <b>\$ 615,775</b>           | <b>\$ (10,690,928)</b> |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2025**

**EXHIBIT C**

|                                                                                | <b>GENERAL<br/>FUND</b> | <b>CAPITAL<br/>PROJECT<br/>FUND</b> | <b>NONMAJOR<br/>PERMANENT<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------------------------|-------------------------|-------------------------------------|----------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                 |                         |                                     |                                        |                                         |
| Cash and Cash Equivalents                                                      | \$ 7,236,271            | \$ 13,686,580                       | \$ 5,056                               | \$ 20,927,907                           |
| Investments                                                                    | -                       | -                                   | 20,000                                 | 20,000                                  |
| Taxes Receivable, net                                                          | 1,085,583               | -                                   | -                                      | 1,085,583                               |
| Due From Other Funds                                                           | 4,984                   | -                                   | -                                      | 4,984                                   |
| Due From Other Governments                                                     | 1,917,633               | -                                   | -                                      | 1,917,633                               |
| Other Receivables                                                              | 82,574                  | -                                   | -                                      | 82,574                                  |
| Prepaid Expenses                                                               | 208,274                 | -                                   | -                                      | 208,274                                 |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 10,535,319</b>    | <b>\$ 13,686,580</b>                | <b>\$ 25,056</b>                       | <b>\$ 24,246,955</b>                    |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>           |                         |                                     |                                        |                                         |
| <b>LIABILITIES:</b>                                                            |                         |                                     |                                        |                                         |
| Accounts Payable                                                               | \$ 846,480              | \$ 4,600,665                        | \$ -                                   | \$ 5,447,145                            |
| Accrued Salaries and Benefits                                                  | 2,868,504               | -                                   | -                                      | 2,868,504                               |
| Payroll Deductions and Withholdings                                            | 551,120                 | -                                   | -                                      | 551,120                                 |
| Unearned Revenue                                                               | 21,396                  | -                                   | -                                      | 21,396                                  |
| Due to Other Funds                                                             | -                       | 24,000                              | -                                      | 24,000                                  |
| <b>TOTAL LIABILITIES</b>                                                       | <b>\$ 4,287,500</b>     | <b>\$ 4,624,665</b>                 | <b>\$ -</b>                            | <b>\$ 8,912,165</b>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                          |                         |                                     |                                        |                                         |
| Delinquent Real Estate Taxes                                                   | \$ 996,753              | \$ -                                | \$ -                                   | \$ 996,753                              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <b>\$ 996,753</b>       | <b>\$ -</b>                         | <b>\$ -</b>                            | <b>\$ 996,753</b>                       |
| <b>FUND BALANCES:</b>                                                          |                         |                                     |                                        |                                         |
| Nonspendable                                                                   | \$ 208,274              | \$ -                                | \$ -                                   | \$ 208,274                              |
| Restricted                                                                     | -                       | -                                   | 25,056                                 | 25,056                                  |
| Assigned                                                                       | 2,454,806               | 9,061,915                           | -                                      | 11,516,721                              |
| Unassigned                                                                     | 2,587,986               | -                                   | -                                      | 2,587,986                               |
| <b>TOTAL FUND BALANCES</b>                                                     | <b>\$ 5,251,066</b>     | <b>\$ 9,061,915</b>                 | <b>\$ 25,056</b>                       | <b>\$ 14,338,037</b>                    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 10,535,319</b>    | <b>\$ 13,686,580</b>                | <b>\$ 25,056</b>                       | <b>\$ 24,246,955</b>                    |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

**Total Fund Balances - Governmental Funds** **\$ 14,338,037**

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$79,118,382, and the accumulated depreciation is \$43,106,676. 36,011,706

Property and wage taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 1,354,626

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

|                                                    |             |
|----------------------------------------------------|-------------|
| Deferred outflows of resources related to pensions | 5,837,238   |
| Deferred outflows of resources related to OPEB     | 1,146,857   |
| Deferred inflows of resources related to pensions  | (1,464,700) |
| Deferred inflows of resources related to OPEB      | (751,708)   |

Long term liabilities, including bonds, notes, and leases payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

|                           |               |  |
|---------------------------|---------------|--|
| Bonds Payable (net)       | \$ 17,726,069 |  |
| Notes Payable             | 9,877,000     |  |
| Lease Payable             | 26,910        |  |
| Accrued Interest on Bonds | 196,736       |  |
| Retirement Incentives     | 407,417       |  |
| Net OPEB liability        | 3,537,725     |  |
| Net Pension Liability     | 35,199,360    |  |
| Compensated absences      | 807,542       |  |
|                           | (67,778,759)  |  |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (DEFICIT)** **\$ (11,306,703)**

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                              | <b><u>GENERAL FUND</u></b> | <b><u>CAPITAL<br/>PROJECT<br/>FUND</u></b> | <b><u>NONMAJOR<br/>PERMANENT<br/>FUND</u></b> | <b><u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u></b> |
|--------------------------------------------------------------|----------------------------|--------------------------------------------|-----------------------------------------------|------------------------------------------------|
| <b><u>REVENUES</u></b>                                       |                            |                                            |                                               |                                                |
| Local Sources                                                | \$ 15,301,081              | \$ 71,780                                  | \$ 407                                        | \$ 15,373,268                                  |
| State Sources                                                | 20,511,798                 | -                                          | -                                             | 20,511,798                                     |
| Federal Sources                                              | 1,602,134                  | -                                          | -                                             | 1,602,134                                      |
| <b>Total Revenue</b>                                         | <b>\$ 37,415,013</b>       | <b>\$ 71,780</b>                           | <b>\$ 407</b>                                 | <b>\$ 37,487,200</b>                           |
| <b><u>EXPENDITURES</u></b>                                   |                            |                                            |                                               |                                                |
| Instruction                                                  | \$ 22,248,833              | \$ -                                       | \$ -                                          | \$ 22,248,833                                  |
| Support Services                                             | 11,435,945                 | 312,592                                    | -                                             | 11,748,537                                     |
| Noninstructional Services                                    | 932,691                    | -                                          | -                                             | 932,691                                        |
| Facilities Acquisitions and Improvements                     | 318,713                    | 5,190,522                                  | -                                             | 5,509,235                                      |
| Debt Service                                                 | 2,960,613                  | 4,078,318                                  | -                                             | 7,038,931                                      |
| <b>Total Expenditures</b>                                    | <b>\$ 37,896,795</b>       | <b>\$ 9,581,432</b>                        | <b>\$ -</b>                                   | <b>\$ 47,478,227</b>                           |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (481,782)</b>        | <b>\$ (9,509,652)</b>                      | <b>\$ 407</b>                                 | <b>\$ (9,991,027)</b>                          |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                            |                                            |                                               |                                                |
| Insurance Recoveries                                         | \$ 260,368                 | \$ -                                       | \$ -                                          | \$ 260,368                                     |
| Sale of Fixed Assets                                         | 7,950                      | -                                          | -                                             | 7,950                                          |
| Bond Proceeds                                                | -                          | 16,480,000                                 | -                                             | 16,480,000                                     |
| Bond Premium                                                 | -                          | 1,265,387                                  | -                                             | 1,265,387                                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 268,318</b>          | <b>\$ 17,745,387</b>                       | <b>\$ -</b>                                   | <b>\$ 18,013,705</b>                           |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ (213,464)</b>        | <b>\$ 8,235,735</b>                        | <b>\$ 407</b>                                 | <b>\$ 8,022,678</b>                            |
| FUND BALANCE - JULY 1, 2024                                  | 5,464,530                  | 826,180                                    | 24,649                                        | 6,315,359                                      |
| <b>FUND BALANCE - JUNE 30, 2025</b>                          | <b>\$ 5,251,066</b>        | <b>\$ 9,061,915</b>                        | <b>\$ 25,056</b>                              | <b>\$ 14,338,037</b>                           |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 8,022,678**

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. This is the amount by which capital outlays (\$5,943,995) exceeded depreciation expense (\$1,608,163). 4,335,832

Proceeds from the disposition of fixed assets are recognized as revenue in the governmental funds, however these proceeds are netted against the remaining book value of these fixed assets in the statement of activities to recognize a gain or <loss> on the disposition of these assets. (4,449)

Bond, note, and lease proceeds are recognized as revenues in the governmental funds. These proceeds are recognized as long-term liabilities in the government-wide financial statements. (16,480,000)

Repayment of bond, note, and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 6,712,627

Because certain property and wage 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. Delinquent real estate and wage taxes beyond the "available" period decreased by this amount during the 2024-2025 fiscal year. (1,198)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (122,657)

Bond premiums are reported in governmental funds as revenues. However, in the statement of activities, these premiums are capitalized and accreted over the life of the bond issue as credit to interest expense. (1,246,069)

Deferred interest on bond refundings is recognized in the government-wide financial statements when bonds are refunded and amortized over the life of the bond issue as interest expense. (44,215)

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. 1,111,357

In the statement of activities, certain operating expenses - compensated absences, retiree incentives, and health benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This year, the amount paid exceeded the total amount of compensated absences, incentives and health benefits earned by this amount. 301,895

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 2,585,801**

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                               | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|----------------------|----------------------|----------------------|---------------------------------------------------------|
|                                                               | Original             | Final                | (Budgetary Basis)    | (Negative)                                              |
| <b><u>REVENUES</u></b>                                        |                      |                      |                      |                                                         |
| Local Sources                                                 | \$ 15,374,201        | \$ 15,374,201        | \$ 15,301,081        | \$ (73,120)                                             |
| State Sources                                                 | 19,445,910           | 19,445,910           | 20,511,798           | 1,065,888                                               |
| Federal Sources                                               | 739,300              | 739,300              | 1,602,134            | 862,834                                                 |
| <b>Total Revenues</b>                                         | <b>\$ 35,559,411</b> | <b>\$ 35,559,411</b> | <b>\$ 37,415,013</b> | <b>\$ 1,855,602</b>                                     |
| <b><u>EXPENDITURES</u></b>                                    |                      |                      |                      |                                                         |
| Regular Programs                                              | \$ 16,476,709        | \$ 16,464,985        | \$ 16,036,650        | \$ 428,335                                              |
| Special Programs                                              | 3,592,179            | 3,592,179            | 5,222,175            | (1,629,996)                                             |
| Vocational Programs                                           | 811,458              | 811,458              | 835,892              | (24,434)                                                |
| Other Instructional Programs                                  | 148,900              | 145,100              | 138,560              | 6,540                                                   |
| Non Public School Programs                                    | -                    | -                    | 15,556               | (15,556)                                                |
| Pupil Personnel Services                                      | 773,933              | 767,163              | 1,071,846            | (304,683)                                               |
| Instructional Staff Services                                  | 392,678              | 388,937              | 377,304              | 11,633                                                  |
| Administrative Services                                       | 2,186,161            | 2,189,150            | 2,195,368            | (6,218)                                                 |
| Pupil Health                                                  | 393,784              | 391,827              | 457,122              | (65,295)                                                |
| Business Services                                             | 479,537              | 479,537              | 451,186              | 28,351                                                  |
| Operation & Maintenance of Plant Services                     | 3,536,638            | 3,610,742            | 3,695,009            | (84,267)                                                |
| Student Transportation Services                               | 2,323,308            | 2,323,309            | 2,633,067            | (309,758)                                               |
| Central Services                                              | 449,841              | 449,841              | 540,804              | (90,963)                                                |
| Other Support Services                                        | 26,000               | 26,000               | 14,239               | 11,761                                                  |
| Student Activities                                            | 853,208              | 853,208              | 907,599              | (54,391)                                                |
| Community Services                                            | 19,175               | 19,175               | 25,092               | (5,917)                                                 |
| Facilities Acquisition and Improvement                        | 111,400              | 111,400              | 318,713              | (207,313)                                               |
| Debt Service                                                  | 2,941,320            | 2,941,320            | 2,960,613            | (19,293)                                                |
| <b>Total Expenditures</b>                                     | <b>\$ 35,516,229</b> | <b>\$ 35,565,331</b> | <b>\$ 37,896,795</b> | <b>\$ (2,331,464)</b>                                   |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 43,182</b>     | <b>\$ (5,920)</b>    | <b>\$ (481,782)</b>  | <b>\$ (475,862)</b>                                     |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                  |                      |                      |                      |                                                         |
| Insurance Recoveries                                          | \$ -                 | \$ -                 | \$ 260,368           | \$ 260,368                                              |
| Sale of Fixed Assets                                          | -                    | -                    | 7,950                | 7,950                                                   |
| Operating Transfers Out                                       | -                    | (78,331)             | -                    | 78,331                                                  |
| Budgetary Reserve                                             | (127,433)            | -                    | -                    | -                                                       |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (127,433)</b>  | <b>\$ (78,331)</b>   | <b>\$ 268,318</b>    | <b>\$ 346,649</b>                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (84,251)</b>   | <b>\$ (84,251)</b>   | <b>\$ (213,464)</b>  | <b>\$ (129,213)</b>                                     |
| FUND BALANCE - JULY 1, 2024                                   | 4,571,016            | 4,571,016            | 5,464,530            | 893,514                                                 |
| <b>FUND BALANCE - JUNE 30, 2025</b>                           | <b>\$ 4,486,765</b>  | <b>\$ 4,486,765</b>  | <b>\$ 5,251,066</b>  | <b>\$ 764,301</b>                                       |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2025**

|                                                                                       | <b><u>FOOD<br/>SERVICES</u></b> |
|---------------------------------------------------------------------------------------|---------------------------------|
| <b>ASSETS</b>                                                                         |                                 |
| <b>Current Assets:</b>                                                                |                                 |
| Cash and Cash Equivalents                                                             | \$ 1,428,730                    |
| Due from Other Funds                                                                  | 19,016                          |
| Due from Other Governments                                                            | 6,493                           |
| Other Receivables                                                                     | 6,355                           |
| Inventories                                                                           | 21,579                          |
| <b>TOTAL CURRENT ASSETS</b>                                                           | <b><u>\$ 1,482,173</u></b>      |
| <b>Noncurrent Assets:</b>                                                             |                                 |
| Furniture and Equipment (net)                                                         | \$ 288,868                      |
| <b>TOTAL NONCURRENT ASSETS</b>                                                        | <b><u>\$ 288,868</u></b>        |
| <b>TOTAL ASSETS</b>                                                                   | <b><u>\$ 1,771,041</u></b>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                                 |                                 |
| Deferred Outflows Related to Pensions                                                 | \$ 180,533                      |
| Deferred Outflows Related to OPEB                                                     | 7,662                           |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                           | <b><u>\$ 188,195</u></b>        |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                                | <b><u>\$ 1,959,236</u></b>      |
| <b>LIABILITIES</b>                                                                    |                                 |
| <b>Current Liabilities:</b>                                                           |                                 |
| Accounts Payable                                                                      | \$ 61,243                       |
| Accrued Salaries and Benefits                                                         | 2,474                           |
| Unearned Revenue                                                                      | 27,456                          |
| <b>TOTAL CURRENT LIABILITIES</b>                                                      | <b><u>\$ 91,173</u></b>         |
| <b>Noncurrent Liabilities:</b>                                                        |                                 |
| Accrued Compensated Absences                                                          | \$ 61,408                       |
| Net Pension Liability                                                                 | 1,088,640                       |
| Net OPEB Liability                                                                    | 45,900                          |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                                   | <b><u>\$ 1,195,948</u></b>      |
| <b>TOTAL LIABILITIES</b>                                                              | <b><u>\$ 1,287,121</u></b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                                  |                                 |
| Deferred Inflows Related to Pensions                                                  | \$ 45,300                       |
| Deferred Inflows Related to OPEB                                                      | 11,040                          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                            | <b><u>\$ 56,340</u></b>         |
| <b>NET POSITION</b>                                                                   |                                 |
| Net Investment in Capital Assets                                                      | \$ 288,868                      |
| Unrestricted                                                                          | 326,907                         |
| <b>TOTAL NET POSITION</b>                                                             | <b><u>\$ 615,775</u></b>        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>        AND NET POSITION</b> | <b><u>\$ 1,959,236</u></b>      |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                |                              |
|------------------------------------------------|------------------------------|
|                                                | <b><u>FOOD SERVICES</u></b>  |
| <b><u>OPERATING REVENUES</u></b>               |                              |
| Food Services Revenue                          | \$ 96,656                    |
| <b>Total Operating Revenues</b>                | <b><u>\$ 96,656</u></b>      |
| <b><u>OPERATING EXPENSES</u></b>               |                              |
| Personnel Services - Salaries                  | \$ 381,060                   |
| Personnel Services - Employee Benefits         | 271,920                      |
| Purchased Professional and Technical Services  | 13,631                       |
| Purchased Property Services                    | 30,747                       |
| Other Purchased Services                       | 1,416                        |
| Supplies                                       | 658,361                      |
| Depreciation                                   | 16,189                       |
| Other Operating Expenses                       | 2,390                        |
| <b>Total Operating Expenses</b>                | <b><u>\$ 1,375,714</u></b>   |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b><u>\$ (1,279,058)</u></b> |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                              |
| Earnings on Investments                        | \$ 48,186                    |
| State Sources                                  | 163,586                      |
| Federal Sources                                | 1,204,873                    |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b><u>\$ 1,416,645</u></b>   |
| <b>CHANGE IN NET POSITION</b>                  | <b><u>\$ 137,587</u></b>     |
| NET POSITION - JULY 1, 2024                    | <u>478,188</u>               |
| <b>NET POSITION - JUNE 30, 2025</b>            | <b><u>\$ 615,775</u></b>     |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                                                                                     | <b>FOOD<br/>SERVICES</b>     |
|---------------------------------------------------------------------------------------------------------------------|------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                                  |                              |
| Cash Received from Users                                                                                            | \$ 95,471                    |
| Cash Payments to Suppliers for Goods and Services                                                                   | (1,240,434)                  |
| <b>Net Cash (Used for) Operating Activities</b>                                                                     | <b><u>\$ (1,144,963)</u></b> |
| <b><u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u></b>                                                          |                              |
| Equipment Purchases                                                                                                 | \$ (118,628)                 |
| <b>Net Cash (Used for) Capital Financing Activities</b>                                                             | <b><u>\$ (118,628)</u></b>   |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                                      |                              |
| State Sources                                                                                                       | \$ 164,254                   |
| Federal Sources                                                                                                     | 1,115,160                    |
| Miscellaneous Expense                                                                                               | (21,426)                     |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>                                                        | <b><u>\$ 1,257,988</u></b>   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                                  |                              |
| Earnings on Investments                                                                                             | \$ 48,186                    |
| <b>Net Cash Provided by Investing Activities</b>                                                                    | <b><u>\$ 48,186</u></b>      |
| <b>NET INCREASE &lt;DECREASE&gt; IN CASH AND CASH EQUIVALENTS</b>                                                   | <b><u>\$ 42,583</u></b>      |
| CASH AND CASH EQUIVALENTS - JULY 1, 2024                                                                            | 1,386,147                    |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2025</b>                                                                    | <b><u>\$ 1,428,730</u></b>   |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b> |                              |
| Operating Income (Loss)                                                                                             | <b>\$ (1,279,058)</b>        |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH (USED FOR) OPERATING ACTIVITIES:</b>            |                              |
| Depreciation                                                                                                        | 16,189                       |
| Donated Commodities                                                                                                 | 96,260                       |
| (Increase) Decrease in Other Receivables                                                                            | 361                          |
| (Increase) Decrease in Inventories                                                                                  | 1,929                        |
| (Increase) Decrease in Deferred Outflows of Resources                                                               | 57,304                       |
| Increase (Decrease) in Accounts Payable                                                                             | 50,910                       |
| Increase (Decrease) in Advances from Other Funds                                                                    | (11,768)                     |
| Increase (Decrease) in Accrued Salaries and Benefits                                                                | 258                          |
| Increase (Decrease) in Accrued Compensated Absences                                                                 | 17,408                       |
| Increase (Decrease) in Unearned Revenue                                                                             | (1,546)                      |
| Increase (Decrease) in Net Pension Liability                                                                        | (107,160)                    |
| Increase (Decrease) in Net OPEB Liability                                                                           | (2,580)                      |
| Increase (Decrease) in Deferred Inflows of Resources                                                                | 16,530                       |
| <b>Total Adjustments</b>                                                                                            | <b><u>\$ 134,095</u></b>     |
| <b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>                                                                     | <b><u>\$ (1,144,963)</u></b> |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITIES:</b>                                                                     |                              |
| During the year, the District received \$96,260 of food commodities from the U.S. Department of Agriculture.        |                              |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2025**

|                                          | <b><u>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</u></b> |
|------------------------------------------|------------------------------------------------------------|
| <b>ASSETS</b>                            |                                                            |
| Cash and Cash Equivalents                | \$ 108,665                                                 |
| <b>TOTAL ASSETS</b>                      | <b><u>\$ 108,665</u></b>                                   |
| <b>LIABILITIES AND NET POSITION</b>      |                                                            |
| <b>LIABILITIES:</b>                      |                                                            |
| Other Current Liabilities                | \$ -                                                       |
| <b>TOTAL LIABILITIES</b>                 | <b><u>\$ -</u></b>                                         |
| <b>NET POSITION:</b>                     |                                                            |
| Restricted                               | \$ 108,665                                                 |
| <b>TOTAL NET POSITION</b>                | <b><u>\$ 108,665</u></b>                                   |
| <b>TOTAL LIABILITIES AN NET POSITION</b> | <b><u>\$ 108,665</u></b>                                   |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                         | <b>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> |
|-----------------------------------------|-----------------------------------------------------|
| <b>ADDITIONS</b>                        |                                                     |
| Student Club Organization Receipts      | \$ 90,977                                           |
| <b>TOTAL ADDITIONS</b>                  | <b>\$ 90,977</b>                                    |
| <b>DEDUCTIONS</b>                       |                                                     |
| Student Club Organization Disbursements | \$ 112,365                                          |
| <b>TOTAL DEDUCTIONS</b>                 | <b>\$ 112,365</b>                                   |
| <b>CHANGE IN NET POSITION</b>           | <b>\$ (21,388)</b>                                  |
| NET POSITION - JULY 1, 2024             | 130,053                                             |
| <b>NET POSITION - JUNE 30, 2025</b>     | <b>\$ 108,665</b>                                   |

The accompanying notes are an integral part of these financial statements

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Southmoreland School District was established under the authority of an act of the state legislature that designated a school board as the governing body. The School District serves the surrounding municipalities that include the Borough of Everson and Upper Tyrone Township located in Fayette County, as well as the Borough of Scottdale and East Huntingdon Township located in Westmoreland County. The School District operates under a locally elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Southmoreland School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. As defined by GASB, component units are legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the Southmoreland School District has no component units.

The School District is associated with two jointly governed organizations (Note 12) and one public entity risk pool (Note 13). These organizations are:

- Jointly Governed Organizations:
  - Central Westmoreland Career and Technology Center
  - Westmoreland Intermediate Unit #7
- Public Entity Risk Pool:
  - Westmoreland County Public School Healthcare Consortium

The financial statements of the Southmoreland School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the School District's accounting policies are as follows:

**FINANCIAL STATEMENT PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibit D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FINANCIAL STATEMENT PRESENTATION (Continued)**

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. Under GASB Statement No. 34, the focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Southmoreland School District, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds, if any, would be segregated and presented in a single column. Fiduciary funds are reported by fund type.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough, and thereafter to be used to pay liabilities for the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Southmoreland School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2025 under the modified accrual basis are **1)** delinquent property taxes held with the Westmoreland and Fayette County Tax Claim Bureaus, **2)** federal and state subsidies earned in the fiscal year 2024-2025, and **3)** other miscellaneous revenues earned in fiscal year 2024-2025 but received subsequent to June 30, 2025. On the governmental fund financial statements, delinquent real estate taxes receivable that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2025 are those for which the Board of Education's intention was to expense these items as budgeted for the 2024-2025 official budget, and for which the District has incurred an obligation, during 2024-2025, but has not paid as of June 30, 2025.

Allocations of cost, such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The general fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL PROJECT FUND** - The capital project fund is used to account for proceeds from General Obligation Notes Series of 2022 and General Obligation Bonds Series of 2025.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**NON-MAJOR GOVERNMENTAL FUND:**

**PERMANENT FUND** - The permanent fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs. The permanent fund for the School District consists of the Nell Lynch \$20,000 endowment whose earnings are restricted for student educational field trips.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the school district (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund that accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Custodial funds report fiduciary activities that are not held in a Trust or equivalent arrangement that meets specific criteria. The District's Custodial Fund is comprised of the various student organization activity accounts administered by the District on behalf of the various student organizations.

**BUDGETS**

On June 24, 2024, the Southmoreland School District adopted its fiscal year June 30, 2025 annual budget for the General Fund totaling \$35,643,662 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual method of accounting. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). Actual expenditures exceeded budget for the 2024-2025 fiscal year. All annual appropriations of the General Fund lapse at fiscal year-end.

The School District uses the following procedures in establishing this budgetary data:

- a. Prior to May of the preceding fiscal year, the school district prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures, and the revenues and other sources of funds used to finance these expenditures.
- b. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
- c. A meeting of the Board of Education is then held for the purpose of adopting the proposed budget. The meeting may only be held after 10 days of public notification.
- d. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS (Continued)**

- e. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.
- f. Budgetary transfers are permitted after the first 90 days of the school district's fiscal year.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts, and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2017, Southmoreland School District is permitted to invest funds consistent with sound business practices in the following types of investments:

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and 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.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Southmoreland School District include a Certificate of Deposit held with Mid Penn Bank. Investments are reported at fair value and/or amortized cost.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as offsetting internal balances on the statement of net position.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**LONG-TERM DEBT FINANCING COSTS**

Bond and note issuance costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District incurred \$312,592 in bond issuance costs during the 2024-2025 fiscal year related to General Obligation Bonds – Series of 2025.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities' column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$1,500. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position. The intangible right-to-use assets are initially measured at an amount equal to the present value of future lease payments. The intangible right-to-use assets are amortized on a straight-line basis over the life of the related lease. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <b><u>CATEGORY</u></b>           | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> |
|----------------------------------|-------------------------------------------|
| Site Improvements                | 20 years                                  |
| Building & Building Improvements | 40 years                                  |
| Furniture & Equipment            | 5-20 years                                |
| Vehicles                         | 8 years                                   |
| Right-To-Use Assets              | 5 years                                   |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with generally accepted accounting standards. Members of the School District's various collective bargaining agreements, administration, and Superintendent, who meet the required eligibility requirements, are entitled to the following compensation for accumulated unused sick days at termination:

| <b>GROUP</b>                              | <b>RATE<br/>PER DAY</b> | <b>MAXIMUM<br/>DAYS</b> |
|-------------------------------------------|-------------------------|-------------------------|
| Educational Support                       | \$ 70                   | no max                  |
| Education Association                     | \$ 75                   | 255                     |
| Secretarial Employees                     | \$ 65                   | 185                     |
| SEIU Local 32BJ (Greater than 6 Hours)    | \$ 50                   | 160                     |
| SEIU Local 32BJ (4-6 Hours)               | \$ 40                   | 160                     |
| SEIU Local 32BJ (Part-time up to 4 Hours) | \$ 30                   | 160                     |
| Administrators                            | \$ 60                   | 270                     |
| Superintendent                            | \$ 60                   | 270                     |

In addition, the School District's administrators and Superintendent are entitled to reimbursement for accumulated unused vacation days, subject to a maximum of 20 and 35 days respectively, at their per diem rate at the time of retirement. Sick leave benefits are accrued as a liability at the time individuals become eligible for retirement in accordance with the terms of the District's collective bargaining agreements. The entire compensated absences liability of \$868,950 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**RETIREMENT INCENTIVE PROGRAM**

The Southmoreland School District established retirement incentive plans over the course of prior fiscal years for eligible members of the Southmoreland Education Association. To qualify, members of the Education Association must **1)** be a professional employee in active service who is eligible for membership in the Southmoreland Education Association, **2)** be at Step 15 of the salary schedule found in the 24-25 Collective Bargaining Agreement, **3)** have a minimum of thirteen (13) years of continuous service (the sum of the employee's age and years of service must be greater than or equal to 65), and **4)** have at least 15 years of service in the Public-School Employees' Retirement System (PSERS).

There are prior ERIP plans still outstanding that have several years to complete. The Southmoreland School District's retirement incentive liability as of June 30, 2025 totals \$407,417. The aforementioned retirement incentives are not included as part of the School District's calculation of its net other post-employment benefit (OPEB) liability obligation as discussed in Note 11.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 10.

**OTHER POSTEMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 11.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations. The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent balance periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed, and revenue is recognized.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has two items that qualify for reporting in this category. They are deferred outflows related to the pension and OPEB plans, both of which are reported on the statement of net position (Exhibit A).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The School District has three items that qualify for reporting in this category. They are delinquent real estate taxes reported on the governmental funds balance sheet (Exhibit C), and deferred inflows related to the School District's pension and OPEB plans, both of which are reported on the statement of net position (Exhibit A).

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. The net position of the District's Permanent Fund totaling \$25,056 is considered restricted as of June 30, 2025.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'. The District maintained a governmental activities deficit unrestricted net position of \$28,775,401 as of June 30, 2025.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. The District's Permanent Fund totaling \$25,056 is restricted as of June 30, 2025.
- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The District has assigned \$2,454,806 for possible tax appeals, cyber charter school tuition increases and capital expenditures.
- Unassigned fund balance – amounts that are available for any purpose.

Section 688 of the Pennsylvania Public School Code prohibits school districts from increasing real property taxes beyond the annual index increase permitted by law, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Southmoreland School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The School District's Business Manager has authority to assign fund balance.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**ESTIMATES**

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Southmoreland School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **1)** investment earnings and **2)** state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture. The District did not have non-operating expenses during the fiscal year.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the School District's 2024-2025 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on Southmoreland School District's financial statements.

- **GASB issued Statement No. 101**, '*Compensated Absences*'.
- **GASB issued Statement No. 102**, '*Certain Risk Disclosures*'.

**PENDING GASB PRONOUNCEMENTS**

- **GASB issued Statement No. 103**, '*Financial Reporting Model Improvements*'. The provisions of this statement are effective for the District's June 30, 2026 financial statements.
- **GASB issued Statement No. 104**, '*Disclosure of Certain Capital Assets*'. The provisions of this statement are effective for the District's June 30, 2026 financial statements.

The effects of implementing these statements on the School District's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS**

The following represents the bank balance and carrying value for the Southmoreland School District's cash and cash equivalents at June 30, 2025:

|                             | <b><u>Bank Balance</u></b>  | <b><u>Carrying<br/>Value</u></b> |
|-----------------------------|-----------------------------|----------------------------------|
| General Fund                | \$ 7,479,363                | \$ 7,236,271                     |
| Capital Project Fund        | 13,686,580                  | 13,686,580                       |
| Permanent Fund              | 5,056                       | 5,056                            |
| Enterprise Fund             | 1,526,133                   | 1,428,730                        |
| Fiduciary Funds             | 113,902                     | 108,665                          |
|                             | <u>\$ 22,811,034</u>        | <u>\$ 22,465,302</u>             |
| CD Classified as Investment | 20,000                      | 20,000                           |
|                             | <u><b>\$ 22,831,034</b></u> | <u><b>\$ 22,485,302</b></u>      |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 - CASH DEPOSITS (Continued)**

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks, and petty cash. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to invest funds consistent with sound business practices evaluating each investment opportunity in terms of risk, yield, liquidity, and legal restrictions as allowable by law or regulations. As of June 30, 2025, \$22,239,542 of the District's overall bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the District's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**NOTE 3 - PROPERTY TAXES**

The Southmoreland School District levies property taxes on July 15th of each fiscal year. For School District properties located in Westmoreland County, the tax millage assessment for the 2024-2025 fiscal year was 95.71 mills, which represents \$95.71 of revenue for every \$1,000 of assessed property value. For School District properties located in Fayette County, the tax millage assessment for the 2024-2025 fiscal year was 17.07 mills, which represents \$17.07 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to September 30th. Collections after November 30th are assessed a 10% penalty. Unpaid taxes are submitted to the Westmoreland and Fayette County Tax Claim Bureaus for collection. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy.

Taxes receivable include delinquent property taxes of \$1,077,535. For purposes of the governmental fund financial statements, \$996,753 of the above property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off set as a credit to deferred inflows of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F). Taxes receivable are comprised of the following at June 30, 2025:

|                                     | <b>GOVERNMENTAL<br/>ACTIVITIES<br/>(EXHIBIT A)</b> | <b>GOVERNMENTAL<br/>FUNDS<br/>(EXHIBIT C)</b> |
|-------------------------------------|----------------------------------------------------|-----------------------------------------------|
| Delinquent Property Taxes (Net)     | \$ 1,077,535                                       | \$ 1,077,535                                  |
| Interim Real Estate Tax             | 1,289                                              | 1,289                                         |
| Earned Income Tax/Local Service Tax | 360,504                                            | 2,631                                         |
| Real Estate Transfer Tax            | 4,128                                              | 4,128                                         |
|                                     | <b><u>\$ 1,443,456</u></b>                         | <b><u>\$ 1,085,583</u></b>                    |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position, the governmental funds balance sheet, and the proprietary fund statement of net position, are comprised of the following:

|                                | <b><u>GOVERNMENTAL<br/>ACTIVITIES/FUNDS</u></b> | <b><u>BUSINESS<br/>TYPE<br/>ACTIVITIES</u></b> |
|--------------------------------|-------------------------------------------------|------------------------------------------------|
| Federal Grant Programs         | \$ 150,509                                      | \$ 6,493                                       |
| State Grant Programs           | 1,291,840                                       | -                                              |
| Westmoreland Intermediate Unit | 475,284                                         | -                                              |
|                                | <b><u>\$ 1,917,633</u></b>                      | <b><u>\$ 6,493</u></b>                         |

**NOTE 5 – OTHER RECEIVABLES**

The amount of 'other receivables', totaling \$88,929 as reflected on the government-wide statement of net position, the governmental funds balance sheet, and the proprietary fund statement of net position represents 1) \$6,355 due on student accounts and 2) \$82,574 of miscellaneous revenues due to the District.

**NOTE 6 – UNEARNED REVENUE**

Unearned revenue, as reflected on the government-wide statement of net position, governmental funds balance sheet, and the proprietary fund statement of net position, are comprised of the following:

|                               | <b><u>GOVERNMENTAL<br/>ACTIVITIES/FUNDS</u></b> | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|-------------------------------|-------------------------------------------------|--------------------------------------------|
| Local Grants                  | \$ 21,396                                       | \$ -                                       |
| Student Account Balances      | -                                               | 10,665                                     |
| Donated Commodities Inventory | -                                               | 16,791                                     |
|                               | <b><u>\$ 21,396</u></b>                         | <b><u>\$ 27,456</u></b>                    |

**NOTE 7 – INTER-FUND OBLIGATIONS AND TRANSFERS**

Inter-fund receivables and payables as reflected on the governmental funds balance sheet (Exhibit C) and the proprietary fund statement of net position (Exhibit H) are as follows:

|                      | <b><u>RECEIVABLE</u></b> | <b><u>PAYABLE</u></b>   |
|----------------------|--------------------------|-------------------------|
| General Fund         | \$ 4,984                 | \$ -                    |
| Capital Project Fund | -                        | 24,000                  |
| Food Service Fund    | 19,016                   | -                       |
|                      | <b><u>\$ 24,000</u></b>  | <b><u>\$ 24,000</u></b> |

Inter-fund receivables and payables as reflected on the governmental funds balance sheet (Exhibit C) are operating funds due to the General Fund from the District's Food Service Fund and monies due to the Food Service Fund from the General Fund for subsidies deposited to the General Fund account. These inter-fund obligations have been eliminated in the government-wide statement of net position. At June 30, 2025 the Capital Project Fund owed the General Fund and the Food Service Fund \$4,984 and \$19,016 respectively

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 8 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2024-2025 fiscal year was as follows:

|                                                         | <u>Balance<br/>7/1/2024</u>   | <u>Additions</u>             | <u>Deductions</u>          | <u>Balance<br/>6/30/2025</u>  |
|---------------------------------------------------------|-------------------------------|------------------------------|----------------------------|-------------------------------|
| <b>Governmental Activities:</b>                         |                               |                              |                            |                               |
| <b>Capital Assets, not being depreciated</b>            |                               |                              |                            |                               |
| Land                                                    | \$ 400,450                    | \$ -                         | \$ -                       | \$ 400,450                    |
| Construction in Progress                                | 4,313,230                     | 4,871,833                    | 4,313,230                  | 4,871,833                     |
| <b>Total Capital Assets,<br/>not being depreciated</b>  | <b><u>\$ 4,713,680</u></b>    | <b><u>\$ 4,871,833</u></b>   | <b><u>\$ 4,313,230</u></b> | <b><u>\$ 5,272,283</u></b>    |
| <b>Capital Assets, being depreciated</b>                |                               |                              |                            |                               |
| Site Improvements                                       | \$ 4,199,204                  | \$ 135,303                   | \$ -                       | \$ 4,334,507                  |
| Building and Improvements                               | 55,536,821                    | 4,963,763                    | -                          | 60,500,584                    |
| Furniture and Equipment                                 | 8,383,503                     | 163,121                      | 67,519                     | 8,479,105                     |
| Vehicles                                                | 194,633                       | 123,205                      | 37,730                     | 280,108                       |
| Intangible Right-To-Use Asset                           | 251,795                       | -                            | -                          | 251,795                       |
| <b>Total Capital Assets,<br/>being depreciated</b>      | <b><u>\$ 68,565,956</u></b>   | <b><u>\$ 5,385,392</u></b>   | <b><u>\$ 105,249</u></b>   | <b><u>\$ 73,846,099</u></b>   |
| <b>Less: Accumulated depreciation</b>                   |                               |                              |                            |                               |
| Site Improvements                                       | \$ (2,986,513)                | \$ (119,980)                 | \$ -                       | \$ (3,106,493)                |
| Building and Improvements                               | (31,537,665)                  | (1,309,525)                  | -                          | (32,847,190)                  |
| Furniture and Equipment                                 | (6,723,708)                   | (121,369)                    | (66,843)                   | (6,778,234)                   |
| Vehicles                                                | (175,170)                     | (6,930)                      | (33,957)                   | (148,143)                     |
| Intangible Right-To-Use Asset                           | (176,257)                     | (50,359)                     | -                          | (226,616)                     |
| <b>Total Accumulated Depreciation</b>                   | <b><u>\$ (41,599,313)</u></b> | <b><u>\$ (1,608,163)</u></b> | <b><u>\$ (100,800)</u></b> | <b><u>\$ (43,106,676)</u></b> |
| <b>Governmental Activities<br/>Capital Assets, Net</b>  | <b><u>\$ 31,680,323</u></b>   | <b><u>\$ 8,649,062</u></b>   | <b><u>\$ 4,317,679</u></b> | <b><u>\$ 36,011,706</u></b>   |
| <b>Business-Type Activities:</b>                        |                               |                              |                            |                               |
| <b>Capital Assets, being depreciated</b>                |                               |                              |                            |                               |
| Furniture and Equipment                                 | \$ 1,338,838                  | \$ 118,628                   | \$ -                       | \$ 1,457,466                  |
| Less: Accumulated<br>Depreciation                       | (1,152,409)                   | (16,189)                     | -                          | (1,168,598)                   |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b><u>\$ 186,429</u></b>      | <b><u>\$ 102,439</u></b>     | <b><u>\$ -</u></b>         | <b><u>\$ 288,868</u></b>      |

Depreciation expense was charged to governmental functions as follows:

|                                               |                            |
|-----------------------------------------------|----------------------------|
| Instruction                                   | \$ 1,141,021               |
| Instructional Student Support                 | 97,158                     |
| Administrative and Financial Support Services | 186,761                    |
| Operation and Maintenance of Plant Services   | 132,068                    |
| Transportation                                | 9,912                      |
| Student Activities                            | 39,256                     |
| Community Services                            | 1,987                      |
|                                               | <b><u>\$ 1,608,163</u></b> |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION NOTES (DIRECT BORROWINGS)**

**GENERAL OBLIGATION NOTE – REFUNDING SERIES OF 2021**

On September 1, 2021, the Southmoreland School District issued General Obligation Note – Series of 2021 to the Webster Bank, National Association totaling \$9,848,000. The note was used to currently refund the School District's outstanding General Obligation Note – Series A of 2020 and to pay the costs of issuing the Note. The interest rate on the note is .990% payable on April 1 and October 1 each year through maturity. The note is scheduled to mature on April 1, 2029, and provides for redemption prior to maturity as detailed in the general obligation note agreement.

**GENERAL OBLIGATION NOTE – REFUNDING SERIES OF 2021 A**

On September 16, 2021, the Southmoreland School District issued General Obligation Note – Series of 2021A to the Branch Banking & Trust Company (BB&T) totaling \$9,473,000. The note was used to currently refund the School District's outstanding General Obligation Note – Series of 2020 and to pay the costs of issuing the Note. The interest rate on the note is .950% payable on April 1 and October 1 each year through maturity. The note is scheduled to mature on April 1, 2027, and provides for redemption prior to maturity as detailed in the general obligation note agreement.

**DEFAULT PROVISIONS – GENERAL OBLIGATION NOTES**

The School District irrevocably pledges its full faith, credit and available taxing power for payment of the Notes. In the event of default as defined in Section 11 of the Loan Agreements between the School District and Webster Bank, National Association and Branch Banking & Trust Company (BB&T), at the option of either BB&T and Webster Public Finance Corporation, the Notes will bear interest at the default rate from the date of occurrence of the event of default, and BB&T and/or Webster Public Finance Corporation may exercise from time to time any other rights and remedies available under the loan documents, the Local Government Unit Debt Act, and/or any other laws.

**GENERAL OBLIGATION BONDS – SERIES 2025**

On May 1, 2025, the Southmoreland School District issued General Obligation Bonds – Series of 2025 in the amount of \$16,480,000. The purpose of the Bonds is to **1)** pay the costs of capital projects of the School District, including, but not limited to, the design, construction, and implementing of capital improvements to School District facilities under a Guaranteed Energy Savings Agreement with Constellation Energy Corporation, **2)** refund the School District's General Obligation Note, Series of 2022, and **3)** pay the costs of issuing the bonds. The Bonds were issued in denominations of \$5,000 with interest payable on April 1 and October 1 each year through maturity. The interest rate on the Bonds is 5.00% and the Bonds are scheduled to mature on April 1, 2036. The Bonds are subject to mandatory and optional redemption prior to their stated maturity dates as more fully described in the official statement.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**DEFAULT PROVISIONS – GENERAL OBLIGATION BONDS**

In the event the School District defaults in the payment of the principal of or the interest on the Bonds after the same shall come due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for thirty days, of the School District fails to comply with any provisions of the Bonds or the Resolution, the Local Government Unit Debt Act, provides that the holders of 25% in aggregate principal amount of such Bonds then outstanding, may, upon appropriate action, appoint a trustee to represent the Bond purchasers. The trustee may, and upon request of the holders of 25% in principal amount of such Bonds then outstanding and upon being provided with indemnity satisfactory to it, shall, take such action on behalf of the Bond purchasers as is more specifically set for in the Act. Such representation by the trustee shall be exclusive.

A summary of the Southmoreland School District's general obligation notes and bonds outstanding at June 30, 2025 is as follows:

| <b>YEAR END<br/>JUNE 30,</b> | <b>SERIES 2021<br/>PRINCIPAL</b> | <b>SERIES 2021A<br/>PRINCIPAL</b> | <b>SERIES 2025<br/>PRINCIPAL</b> | <b>TOTAL<br/>INTEREST</b> | <b>TOTAL</b>         |
|------------------------------|----------------------------------|-----------------------------------|----------------------------------|---------------------------|----------------------|
| 2026                         | \$ 45,000                        | \$ 2,589,000                      | \$ 5,000                         | \$ 786,946                | \$ 3,425,946         |
| 2027                         | 45,000                           | 2,612,000                         | 5,000                            | 894,411                   | 3,556,411            |
| 2028                         | 2,646,000                        | -                                 | 5,000                            | 868,901                   | 3,519,901            |
| 2029                         | 1,940,000                        | -                                 | 475,000                          | 842,456                   | 3,257,456            |
| 2030                         | -                                | -                                 | 1,980,000                        | 799,500                   | 2,779,500            |
| 2031-2035                    | -                                | -                                 | 11,500,000                       | 2,408,750                 | 13,908,750           |
| 2036                         | -                                | -                                 | 2,510,000                        | 125,500                   | 2,635,500            |
|                              | <b>\$ 4,676,000</b>              | <b>\$ 5,201,000</b>               | <b>\$ 16,480,000</b>             | <b>\$ 6,726,464</b>       | <b>\$ 33,083,464</b> |

In connection with the District's various General Obligation Bond Issues the District entered into irrevocable trust agreements to purchase U.S. Government Securities in an amount sufficient to fully service the defeased General Obligation Bond Issue debt as they mature or are called. For financial reporting purposes, these debt obligations are considered defeased and therefore removed as a liability from the District's financial statements. The difference between the District's defeased debt and the reacquisition price (amounts deposited with escrow agent for refunding purposes) is considered 'deferred interest' and is being amortized over the life of the new bond issues. The deferred interest was fully amortized as of June 30, 2025. Total amortization expense for the 2024-2025 fiscal year was \$44,215 and was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

The School District's General Obligation Bonds – Series of 2025 were issued at premiums totaling \$1,265,387, which are being accreted as a component of interest expense on a straight-line basis over the life of the bond issue. The un-accreted amount of bond premiums totaling \$1,246,069 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)', in the governmental activities column on the government-wide statement of net position. Premium accretion for the year ended June 30, 2025 was \$19,318. This amount was credited to the 'Interest on Long-Term Debt' expense category in the statement of activities.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**LEASE AGREEMENT**

In December of 2020, the Southmoreland School District entered into a financing lease agreement with Toshiba Business Solutions for multi-function copier equipment. The terms of the financing lease agreement call for 60 monthly payments of \$4,524.42 scheduled to expire in January of 2026. The financing lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of the inception. For purposes of discounting future payments, the School District determined an interest rate of 3.0% to be an appropriate discount rate. An initial lease liability was recorded in the amount of \$251,795. The balance on the financing lease agreement at June 30, 2025 is \$26,910 due to be paid during the 2025-2026 fiscal year.

**DEFAULT PROVISIONS – LEASE AGREEMENT**

Upon the occurrence of an event of default, lessor may do any or all of the following: **1)** Cancel the agreement and require payment of the unpaid balance of the agreement, including any future payments to the end of the term plus the anticipated residual value of the equipment; **2)** Recover default interest on any unpaid amount; **3)** Use any remedies available under the UCC and any other law and may require discontinuation of the usage of the equipment; and **4)** In the event that equipment is repossessed, the lessee would be required to pay the associated costs of repossession.

The following represents the changes in the District's long-term liabilities during the 2024-2025 fiscal year:

|                                      | <b>Balance<br/>7/1/2024</b> | <b>Additions</b>     | <b>Reductions</b>    | <b>Balance<br/>6/30/2025</b> | <b>Due Within<br/>One Year</b> |
|--------------------------------------|-----------------------------|----------------------|----------------------|------------------------------|--------------------------------|
| <b>Governmental Activities</b>       |                             |                      |                      |                              |                                |
| Direct Borrowings:                   |                             |                      |                      |                              |                                |
| General Obligation Notes             | \$ 16,537,000               | \$ -                 | \$ 6,660,000         | \$ 9,877,000                 | \$ 2,634,000                   |
| General Obligation Bonds             | -                           | 16,480,000           | -                    | 16,480,000                   | 5,000                          |
| Lease Agreement                      | 79,537                      | -                    | 52,627               | 26,910                       | 26,910                         |
| Compensated Absences                 | 744,065                     | 116,238              | 52,761               | 807,542                      | -                              |
| Retirement Incentives                | 765,478                     | -                    | 358,061              | 407,417                      | 157,102                        |
| Net Pension Liability                | 38,664,200                  | -                    | 3,464,840            | 35,199,360                   | -                              |
| Total OPEB Liability                 | 3,702,207                   | -                    | 164,482              | 3,537,725                    | -                              |
| <b>Total Governmental Activities</b> | <b>\$ 60,492,487</b>        | <b>\$ 16,596,238</b> | <b>\$ 10,752,771</b> | <b>\$ 66,335,954</b>         | <b>\$ 2,823,012</b>            |

|                                       | <b>Balance<br/>7/1/2024</b> | <b>Additions</b> | <b>Reductions</b> | <b>Balance<br/>6/30/2025</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------------|-----------------------------|------------------|-------------------|------------------------------|--------------------------------|
| <b>Business-Type Activities</b>       |                             |                  |                   |                              |                                |
| Compensated Absences                  | \$ 44,000                   | \$ 17,408        | \$ -              | \$ 61,408                    | \$ -                           |
| Net Pension Liability                 | 1,195,800                   | -                | 107,160           | 1,088,640                    | -                              |
| Total OPEB Liability                  | 48,480                      | -                | 2,580             | 45,900                       | -                              |
| <b>Total Business-Type Activities</b> | <b>\$ 1,288,280</b>         | <b>\$ 17,408</b> | <b>\$ 109,740</b> | <b>\$ 1,195,948</b>          | <b>\$ -</b>                    |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – PENSION PLAN**

The Southmoreland School District participates in the Public-School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**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](http://www.pa.gov/PSERS).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – PENSION PLAN (Continued)**

**Benefits Provided (Continued)**

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

**Contributions**

**Member Contributions:**

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

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

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – PENSION PLAN (Continued)**

**Contributions (Continued)**

**Member Contributions: (Continued)**

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

**Employer Contributions:**

The school district's contractually required contribution rate for the fiscal year ended June 30, 2025 was 32.92%\* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,464,771 for the year ended June 30, 2025.

\*The defined contribution rate of 0.35% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution plan. This may impact contributions made to the pension plan.

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

At June 30, 2025, the School District reported a liability of \$36,288,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2023 to June 30, 2024. The School 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, 2025 the School District's proportion was .0867% which was a decrease of .0029% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the School District recognized pension expense of \$3,582,990. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

|                                                                 | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|-----------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Difference between expected and actual experience               | \$ -                                             | \$ 571,000                                      |
| Changes in assumptions                                          | -                                                | -                                               |
| Net difference between projected and actual investment earnings | 601,000                                          | -                                               |
| Changes in proportion                                           | 952,000                                          | 939,000                                         |
| Contributions subsequent to the measurement date                | 4,464,771                                        | -                                               |
|                                                                 | <b><u>\$ 6,017,771</u></b>                       | <b><u>\$ 1,510,000</u></b>                      |

The \$4,464,771 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement 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:

| <b><u>Measurement<br/>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Reporting<br/>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Amortization<br/>Amount</u></b> |
|----------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------|
| 2025                                                           | 2026                                                         | \$ (655,000)                          |
| 2026                                                           | 2027                                                         | 973,000                               |
| 2027                                                           | 2028                                                         | (153,000)                             |
| 2028                                                           | 2029                                                         | (122,000)                             |

**Changes in Actuarial Assumptions**

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

- Valuation Date – June 30, 2023
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – PENSION PLAN (Continued)**

**Changes in Actuarial Assumptions (Continued)**

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

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

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

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

| <b><u>Asset Class</u></b> | <b><u>Target<br/>Allocation</u></b> | <b><u>Long-Term<br/>Expected Real<br/>Rate of Return</u></b> |
|---------------------------|-------------------------------------|--------------------------------------------------------------|
| Global public equity      | 30.0%                               | 4.80%                                                        |
| Private equity            | 12.0%                               | 6.70%                                                        |
| Fixed Income              | 33.5%                               | 3.90%                                                        |
| Commodities               | 5.0%                                | 2.50%                                                        |
| Infrastructure            | 10.0%                               | 6.40%                                                        |
| Real estate               | 9.5%                                | 5.90%                                                        |
|                           | <u>100%</u>                         |                                                              |

The above table 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.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10 – PENSION PLAN (Continued)**

**Discount Rate**

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

**Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|                                                                       | <b>1%<br/>Decrease<br/>6.00%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.00%</b> | <b>1%<br/>Increase<br/>8.00%</b> |
|-----------------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| School District's proportionate share of<br>the net pension liability | <u>\$ 47,803,000</u>             | <u>\$ 36,288,000</u>                           | <u>\$ 26,565,000</u>             |

**Pension plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at [www.pa.gov/PSERS](http://www.pa.gov/PSERS).

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Premium Assistance Eligibility Criteria**

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

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

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

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

**Plan Description**

Southmoreland School District employees participate in the PSERS – Health Insurance Premium Assistance program, which 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](http://www.pa.gov/PSERS).

**Benefits Provided**

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

**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 the OPEB plan from the District were \$86,403 for the year ended June 30, 2025.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

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

At June 30, 2025, the District reported a liability of \$1,530,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025 the District's proportion was 0.0861%, which is a decrease of .0032% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, Southmoreland School District recognized OPEB expense of \$36,751. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                 | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|-----------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Difference between expected and actual experience               | \$ 6,000                                         | \$ 23,000                                       |
| Changes in assumptions                                          | 93,000                                           | 234,000                                         |
| Net difference between projected and actual investment earnings | 2,000                                            | -                                               |
| Changes in proportion                                           | 68,000                                           | 111,000                                         |
| Contributions subsequent to the measurement date                | 86,403                                           | -                                               |
|                                                                 | <b><u>\$ 255,403</u></b>                         | <b><u>\$ 368,000</u></b>                        |

The \$86,403 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b><u>Measurement<br/>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Reporting<br/>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Amortization<br/>Amount</u></b> |
|----------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------|
| 2025                                                           | 2026                                                         | \$ (56,000)                           |
| 2026                                                           | 2027                                                         | (64,000)                              |
| 2027                                                           | 2028                                                         | (56,000)                              |
| 2028                                                           | 2029                                                         | (9,000)                               |
| 2029                                                           | 2030                                                         | (14,000)                              |
| Thereafter                                                     | Thereafter                                                   | -                                     |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial Assumptions**

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

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

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

The following assumptions were used to determine the contribution rate:

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

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

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

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial Assumptions (Continued)**

| <u>OPEB - Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|---------------------------|------------------------------|-------------------------------------------------------|
| Cash                      | 100.0%                       | 1.70%                                                 |
|                           | <u>100.0%</u>                |                                                       |

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

**Discount Rate**

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

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

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

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

|                    | <u>1%<br/>Decrease</u> | <u>Current<br/>Trend<br/>Rates</u> | <u>1%<br/>Increase</u> |
|--------------------|------------------------|------------------------------------|------------------------|
| Net OPEB Liability | <u>\$ 1,529,000</u>    | <u>\$ 1,530,000</u>                | <u>\$ 1,530,000</u>    |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Sensitivity of the proportionate share of the Net OPEB liability to changes in the Discount Rate**

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

|                    | <b>1%<br/>Decrease<br/>3.21%</b> | <b>Current Discount<br/>Rate<br/>4.21%</b> | <b>1%<br/>Increase<br/>5.21%</b> |
|--------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Net OPEB Liability | <u>\$ 1,728,000</u>              | <u>\$ 1,530,000</u>                        | <u>\$ 1,363,000</u>              |

**OPEB plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.pa.gov/PSERS](http://www.pa.gov/PSERS).

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**Plan Description**

The Southmoreland School District provides post-employment medical benefits to eligible Administrators, Secretaries, the District's Business Manager, and the District Superintendent as follows:

- Administrators/Superintendent/Business Manager – Medical benefits are provided for a period of 6 years or until Medicare eligible. To be eligible, participants must have 1) reached age 62 and/or be employed by the School District for the last 8 years, or employed at least 25 years in a retirement system, with the last 8 years at the School District. For Administrators and Business Manager, the School District will pay the rate in effect on the date of retirement and the retiree is responsible for any increased costs. Upon retirement, the District Superintendent shall be permitted to retain medical, dental, and vision coverage for himself and his spouse as members of the District's group insurance as provided to then-current District Administrators, until the Superintendent and his spouse reach the age of sixty five (65) or become Medicare eligible, whichever comes last. The District agrees to pay 75% of the exit rate premium for the Superintendent and his spouse, provided the Superintendent retires on or after June 30, 2021. If the Superintendent retires before June 30, 2021, the District agrees to pay 25% of the exit rate premium for the Superintendent and his spouse.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Plan Description (Continued)**

- Secretaries – Eligible participants receive a continuation of medical benefits coverage that was in effect at retirement for a period of 6 years regardless of age. Retiring before June 30, 2023 - To be eligible, participants must meet one of the following three criteria: 1) reached age 55, employed for a minimum of 10 continuous years, and 15 years in PSERS, 2) employed by the School District for at least 30 years, or 3) employed at least 10 consecutive years with the School District and 30 years within PSERS. Retiring after June 30, 2023 – To be eligible, participants must meet one of the following three criteria: 1) Normal retirement on or after age 62, 2) retirement under a PSERS disability, or 3) retirement with 30 or more years of PSERS Service. The School District will be responsible for payment of the insurance premium during the first three years of retirement, with the retiree still paying the co-pay in effect for active employees. After the third year, the rate is set for the next three years at the current rate and the retiree will be responsible for paying and increases in premiums. Retirees must pay the full premium rate if they retire after June 30, 2023.
- Teachers – Eligible participants receive a continuation of medical coverage through Act 110/43. Benefits under Act 110/43 continue until eligible for Medicare. To be eligible, participants must meet one of the following three criteria: 1) normal retirement on or after age 62, 2) retirement under a PSERS disability, or 3) retirement with 30 or more years of PSERS service. Retirees must pay the full premium rate.

The single-employer retiree benefit plan ('the Plan') was established by the authority of the Southmoreland School District Board of Education. The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**Funding Policy**

The contribution requirements of plan members and the School District are as stated above. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid to fund the health care benefits provided to current retirees. There are no assets that have been segregated and restricted to provide for retiree medical benefits. During the 2024-2025 fiscal year, the Southmoreland School District contributed \$49,629 for eight (8) participants.

**Participant Data**

Employees covered by benefit terms as of the July 1, 2023 actuarial valuation were as follows:

|           | <b><u>PARTICIPANT<br/>DATA</u></b> |
|-----------|------------------------------------|
| Actives   | 137                                |
| Inactives | 12                                 |
| Total     | 149                                |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

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

The District's total OPEB liability of \$2,053,625 was measured as of July 1, 2024, and was determined by an actuarial valuation performed as of July 1, 2023. As the District's OPEB Plan is unfunded, the total OPEB liability is equal to the net OPEB liability.

|                                                    |                            |
|----------------------------------------------------|----------------------------|
| <b>Balance at July 1, 2024</b>                     | <b>\$ 2,134,687</b>        |
| <b>Changes for the year:</b>                       |                            |
| Service cost                                       | 96,694                     |
| Interest                                           | 88,163                     |
| Changes of benefit terms                           | -                          |
| Differences between expected and actual experience | -                          |
| Changes in assumptions or other inputs             | (26,987)                   |
| Benefit payments                                   | (238,932)                  |
| Net Changes                                        | (81,062)                   |
| <b>Balance at June 30, 2025</b>                    | <b><u>\$ 2,053,625</u></b> |

**Actuarial Assumptions**

- Cost Method – Entry Age Normal as a Level Percentage of Pay
- Mortality – Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2021
- Discount Rate – 4.29% based on S&P Municipal Bond 20-Year High Grade Rate Index
- Salary Increases – 2.50%
- Inflation Rate – 3.00%
- Healthcare Trend – Medical – 2024-2025 fiscal year 7.500% decreasing on a graduated basis to 4.5% for fiscal years 2033-2034 and later. Dental 3.00% 2024-2025 fiscal year through 2033-2034 and later
- Disability – None assumed.
- Participation - It is assumed that 100% of eligible Administrators and 50% of eligible Teachers and Secretaries will participate in the retiree medical program.
- Percent Married - 65% of eligible Administrators and 25% of Teachers and Secretaries will have a covered spouse at retirement. Females are assumed to be 3 years younger than males.

**OPEB Expense for the Fiscal Year Ended June 30, 2025**

|                                                    |                          |
|----------------------------------------------------|--------------------------|
|                                                    | <b><u>AMOUNT</u></b>     |
| Service cost                                       | \$ 96,694                |
| Interest                                           | 88,163                   |
| Changes of benefit terms                           | -                        |
| Differences between expected and actual experience | 49,749                   |
| Changes of assumptions or other inputs             | (1,929)                  |
| Benefit payments                                   | -                        |
| <b>OPEB Expense</b>                                | <b><u>\$ 232,677</u></b> |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

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

For the year ended June 30, 2025, Southmoreland School District recognized OPEB expense of \$232,677. At June 30, 2025, the District report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                       | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|-------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Differences between expected<br>and actual experience | \$ 428,134                                       | \$ -                                            |
| Changes of assumptions or other inputs                | 280,592                                          | 394,748                                         |
| Benefit payments after measurement date               | 190,390                                          | -                                               |
|                                                       | <b><u>\$ 899,116</u></b>                         | <b><u>\$ 394,748</u></b>                        |

The \$190,390 reported as deferred outflows of resources related to OPEB resulting from District benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b><u>Year ended<br/>June 30,</u></b> | <b><u>Amortization<br/>Amount</u></b> |
|---------------------------------------|---------------------------------------|
| 2026                                  | \$ 47,820                             |
| 2027                                  | 47,820                                |
| 2028                                  | 47,820                                |
| 2029                                  | 47,820                                |
| 2030                                  | 47,820                                |
| 2031 and beyond                       | 74,878                                |

**Sensitivity of the total OPEB liability to changes in the Discount Rate**

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|                      | <b><u>1%<br/>Decrease<br/>3.29%</u></b> | <b><u>Current<br/>Discount<br/>Rate<br/>4.29%</u></b> | <b><u>1%<br/>Increase<br/>5.29%</u></b> |
|----------------------|-----------------------------------------|-------------------------------------------------------|-----------------------------------------|
| Total OPEB Liability | <b><u>\$ 2,228,910</u></b>              | <b><u>\$ 2,053,625</u></b>                            | <b><u>\$ 1,893,750</u></b>              |

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates**

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                      | 1%<br>Decrease      | Current<br>Trend<br>Rates | 1%<br>Increase      |
|----------------------|---------------------|---------------------------|---------------------|
| Total OPEB Liability | <u>\$ 1,869,478</u> | <u>\$ 2,053,625</u>       | <u>\$ 2,264,357</u> |

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

**CENTRAL WESTMORELAND CAREER AND TECHNOLOGY CENTER**

The Southmoreland School District, in conjunction with nine other School Districts, funds the operating and capital budget of the Central Westmoreland Career and Technology Center. The Technology Center is designed to teach students trade related professions. Each district's share of tuition is based on the percentage of the district's enrollment to the total enrollment at the Central Westmoreland Career and Technology Center. The School District paid \$864,844 to the Career and Technology Center during the 2024-2025 fiscal year. A representative from each district's school board sits on the board of the Technology Center. Financial information can be obtained by contacting the Technology Center's business office at 240 Arona Road, New Stanton, Pa. 15672.

**WESTMORELAND INTERMEDIATE UNIT #7**

The Southmoreland School District participates with 16 other School Districts and 3 Vocational-Technical schools located in Westmoreland County in the Westmoreland County Intermediate Unit #7. The Intermediate Unit was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 17 school districts, as well as nonpublic schools and other institutions, located within Westmoreland County. The Intermediate Unit provides services related to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The Southmoreland School District contributed \$9,675 to the Westmoreland County Intermediate Unit #7 as part of deductions from its 2024-2025 basic education subsidy. Financial information can be obtained by contacting the Intermediate Unit's business office at 102 Equity Drive, Greensburg, Pa. 15601.

**NOTE 13 - RISK AND UNCERTAINTIES**

**GENERAL INSURANCE**

The Southmoreland School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 13 - RISK AND UNCERTAINTIES (Continued)**

**HEALTH INSURANCE**

The Southmoreland School District is one of twenty members of the Westmoreland County Public School Healthcare Consortium, a public entity risk pool designed to administer health and medical insurance risks on a pooled basis. The school district paid an annual premium (\$3,856,435 for 2024-2025) in monthly installments to the Consortium for its health and medical insurance coverage, which is subject to an annual settlement based on claims experience.

As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net position, as determined on the fiscal year-end date after withdrawal. As of June 30, 2025, the District's share of the Consortium's undesignated fund balance was a deficit of \$860,479.

**STATE AND FEDERAL SUBSIDIES**

The Southmoreland School District's state and federally funded programs are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The District is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**LEGAL MATTERS**

The Southmoreland School District, in the normal course of operations, is party to various legal matters normally associated with school districts such as real estate tax assessment appeals, personnel wage and benefits, student education and athletics, construction projects, and other miscellaneous legal matters. With regard to real estate tax assessment appeals, these matters are currently at various stages of the legal process and the District has assigned approximately \$207,463 of its General Fund balance as a reserve for these appeals in the event the School District would receive an adverse legal decision with regard to these matters.

**NOTE 14 – SUBSEQUENT EVENTS**

Management has determined that there are no events subsequent to June 30, 2025 through the March 25, 2026 date of the 'Independent Auditor's Report', which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

# **SUPPLEMENTARY INFORMATION**

**SOUTHMORELAND SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND REVENUES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                            | <b><u>FINAL<br/>BUDGET</u></b> | <b><u>ACTUAL</u></b> | <b><u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u></b> |
|--------------------------------------------|--------------------------------|----------------------|--------------------------------------------------------------------------|
| <b><u>LOCAL SOURCES</u></b>                |                                |                      |                                                                          |
| Real Estate - Current                      | \$ 11,268,564                  | \$ 11,091,036        | \$ (177,528)                                                             |
| Real Estate - Interim                      | 27,500                         | 29,233               | 1,733                                                                    |
| Public Utility Tax                         | 12,500                         | 12,600               | 100                                                                      |
| Payments in lieu of Taxes                  | 279,734                        | 251,777              | (27,957)                                                                 |
| Current 511 - LST                          | 55,000                         | 46,289               | (8,711)                                                                  |
| Wage Taxes                                 | 2,025,000                      | 1,916,072            | (108,928)                                                                |
| RE Transfer Tax                            | 210,000                        | 130,329              | (79,671)                                                                 |
| Delinquent Taxes                           | 675,000                        | 781,621              | 106,621                                                                  |
| Interest                                   | 200,000                        | 292,495              | 92,495                                                                   |
| Admissions/Student Activity                | 40,000                         | 52,165               | 12,165                                                                   |
| Pay to Participate Fees                    | 12,000                         | 8,508                | (3,492)                                                                  |
| IDEA                                       | 461,403                        | 476,192              | 14,789                                                                   |
| Rental                                     | 25,000                         | 28,895               | 3,895                                                                    |
| Contributions & Donations                  | 25,000                         | 49,580               | 24,580                                                                   |
| Refund Prior Year Expense                  | 45,000                         | 90,397               | 45,397                                                                   |
| Other Revenues                             | 12,500                         | 43,892               | 31,392                                                                   |
| <b>TOTAL REVENUES FROM LOCAL SOURCES</b>   | <b>\$ 15,374,201</b>           | <b>\$ 15,301,081</b> | <b>\$ (73,120)</b>                                                       |
| <b><u>STATE SOURCES</u></b>                |                                |                      |                                                                          |
| Basic Subsidy                              | \$ 11,060,826                  | \$ 11,085,730        | \$ 24,904                                                                |
| Charter Schools Subsidy                    | -                              | 117,137              | 117,137                                                                  |
| Tuition - Orphans                          | 5,000                          | 15,316               | 10,316                                                                   |
| Special Education                          | 1,674,542                      | 1,729,908            | 55,366                                                                   |
| S.D. Transportation                        | 958,441                        | 1,071,025            | 112,584                                                                  |
| N.P. Transportation                        | 22,000                         | 43,120               | 21,120                                                                   |
| Plancon Projects                           | 710,000                        | 716,293              | 6,293                                                                    |
| Health Services                            | 33,500                         | 32,447               | (1,053)                                                                  |
| Feminine Hygiene Products                  | -                              | 3,183                | 3,183                                                                    |
| Property Tax Relief                        | 1,420,943                      | 1,420,943            | -                                                                        |
| PCCD School Mental Health and Safety       | 373,546                        | 89,690               | (283,856)                                                                |
| Ready to Learn Foundation                  | 357,264                        | 357,264              | -                                                                        |
| Ready to Learn Adequacy Supplement         | -                              | 536,576              | 536,576                                                                  |
| Other State Grants                         | -                              | 45,500               | 45,500                                                                   |
| Social Security                            | 540,880                        | 532,738              | (8,142)                                                                  |
| Retirement                                 | 2,288,968                      | 2,714,928            | 425,960                                                                  |
| <b>TOTAL REVENUES FROM STATE SOURCES</b>   | <b>\$ 19,445,910</b>           | <b>\$ 20,511,798</b> | <b>\$ 1,065,888</b>                                                      |
| <b><u>FEDERAL SOURCES</u></b>              |                                |                      |                                                                          |
| Title I                                    | \$ 585,000                     | \$ 641,124           | \$ 56,124                                                                |
| Title II                                   | 71,000                         | 64,669               | (6,331)                                                                  |
| Title IV                                   | 33,300                         | 328,512              | 295,212                                                                  |
| ARP ESSER III                              | -                              | 202,939              | 202,939                                                                  |
| COVID-SFR School Mental Health Grant       | -                              | 100,302              | 100,302                                                                  |
| ARP ESSER - Learning Loss                  | -                              | 57,935               | 57,935                                                                   |
| ACCESS                                     | -                              | 199,601              | 199,601                                                                  |
| Medical Assistance Admin.                  | 50,000                         | 7,052                | (42,948)                                                                 |
| <b>TOTAL REVENUES FROM FEDERAL SOURCES</b> | <b>\$ 739,300</b>              | <b>\$ 1,602,134</b>  | <b>\$ 862,834</b>                                                        |
| <b><u>OTHER FINANCING SOURCES</u></b>      |                                |                      |                                                                          |
| Insurance Recoveries                       | \$ -                           | \$ 260,368           | \$ 260,368                                                               |
| Sale of Fixed Assets                       | -                              | 7,950                | 7,950                                                                    |
| <b>TOTAL OTHER FINANCING SOURCES</b>       | <b>\$ -</b>                    | <b>\$ 268,318</b>    | <b>\$ 268,318</b>                                                        |
| <b>TOTAL REVENUES</b>                      | <b>\$ 35,559,411</b>           | <b>\$ 37,683,331</b> | <b>\$ 2,123,920</b>                                                      |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**SOUTHMORELAND SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                            | <b><u>FINAL<br/>BUDGET</u></b> | <b><u>ACTUAL</u></b>        | <b><u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u></b> |
|--------------------------------------------|--------------------------------|-----------------------------|--------------------------------------------------------------------------|
| <b><u>INSTRUCTION</u></b>                  |                                |                             |                                                                          |
| <b>Regular Programs</b>                    |                                |                             |                                                                          |
| Personnel Services - Salaries              | \$ 8,781,295                   | \$ 8,139,220                | \$ 642,075                                                               |
| Personnel Services - Employee Benefits     | 5,814,094                      | 5,402,207                   | 411,887                                                                  |
| Purchased Professional/Technical Services  | 519,200                        | 644,933                     | (125,733)                                                                |
| Purchased Property Services                | 49,866                         | 5,299                       | 44,567                                                                   |
| Other Purchased Services                   | 841,471                        | 1,122,125                   | (280,654)                                                                |
| Supplies                                   | 452,490                        | 613,397                     | (160,907)                                                                |
| Property                                   | 4,319                          | 108,760                     | (104,441)                                                                |
| Other Objects                              | 2,250                          | 709                         | 1,541                                                                    |
| <b>Total Regular Programs</b>              | <b><u>\$ 16,464,985</u></b>    | <b><u>\$ 16,036,650</u></b> | <b><u>\$ 428,335</u></b>                                                 |
| <b>Special Programs</b>                    |                                |                             |                                                                          |
| Personnel Services - Salaries              | \$ 1,312,906                   | \$ 1,663,316                | \$ (350,410)                                                             |
| Personnel Services - Employee Benefits     | 981,912                        | 1,152,413                   | (170,501)                                                                |
| Purchased Professional/Technical Services  | 363,610                        | 928,516                     | (564,906)                                                                |
| Purchased Property Services                | -                              | 2,768                       | (2,768)                                                                  |
| Other Purchased Services                   | 900,050                        | 1,423,281                   | (523,231)                                                                |
| Supplies                                   | 29,816                         | 26,616                      | 3,200                                                                    |
| Property                                   | -                              | 23,000                      | (23,000)                                                                 |
| Other Objects                              | 3,885                          | 2,265                       | 1,620                                                                    |
| <b>Total Special Programs</b>              | <b><u>\$ 3,592,179</u></b>     | <b><u>\$ 5,222,175</u></b>  | <b><u>\$ (1,629,996)</u></b>                                             |
| <b>Vocational Education Programs</b>       |                                |                             |                                                                          |
| Other Purchased Services                   | \$ 811,458                     | \$ 835,892                  | \$ (24,434)                                                              |
| <b>Total Vocational Education Programs</b> | <b><u>\$ 811,458</u></b>       | <b><u>\$ 835,892</u></b>    | <b><u>\$ (24,434)</u></b>                                                |
| <b>Other Instructional Programs</b>        |                                |                             |                                                                          |
| Personnel Services - Salaries              | \$ -                           | \$ 326                      | \$ (326)                                                                 |
| Personnel Services - Employee Benefits     | -                              | 137                         | (137)                                                                    |
| Purchased Professional/Technical Services  | 42,600                         | 10,349                      | 32,251                                                                   |
| Other Purchased Services                   | 102,500                        | 127,748                     | (25,248)                                                                 |
| <b>Total Other Instructional Programs</b>  | <b><u>\$ 145,100</u></b>       | <b><u>\$ 138,560</u></b>    | <b><u>\$ 6,540</u></b>                                                   |
| <b>Non Public-School Programs</b>          |                                |                             |                                                                          |
| Purchased Professional/Technical Services  | \$ -                           | \$ 15,556                   | \$ (15,556)                                                              |
| <b>Total Non-Public School Programs</b>    | <b><u>\$ -</u></b>             | <b><u>\$ 15,556</u></b>     | <b><u>\$ (15,556)</u></b>                                                |
| <b>TOTAL INSTRUCTION</b>                   | <b><u>\$ 21,013,722</u></b>    | <b><u>\$ 22,248,833</u></b> | <b><u>\$ (1,235,111)</u></b>                                             |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**SOUTHMORELAND SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                           | <b><u>FINAL<br/>BUDGET</u></b> | <b><u>ACTUAL</u></b>       | <b><u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u></b> |
|-------------------------------------------|--------------------------------|----------------------------|--------------------------------------------------------------------------|
| <b><u>SUPPORT SERVICES</u></b>            |                                |                            |                                                                          |
| <b>Pupil Personnel</b>                    |                                |                            |                                                                          |
| Personal Services - Salaries              | \$ 405,097                     | \$ 444,446                 | \$ (39,349)                                                              |
| Personal Services - Employee Benefits     | 312,934                        | 329,833                    | (16,899)                                                                 |
| Purchased Professional/Technical Services | 5,600                          | 249,696                    | (244,096)                                                                |
| Purchased Property Services               | 1,852                          | -                          | 1,852                                                                    |
| Other Purchased Services                  | 9,600                          | 10,001                     | (401)                                                                    |
| Supplies                                  | 31,028                         | 37,047                     | (6,019)                                                                  |
| Property                                  | -                              | 200                        | (200)                                                                    |
| Other Objects                             | 1,052                          | 623                        | 429                                                                      |
| <b>Total Pupil Personnel</b>              | <b><u>\$ 767,163</u></b>       | <b><u>\$ 1,071,846</u></b> | <b><u>\$ (304,683)</u></b>                                               |
| <b>Instructional Staff</b>                |                                |                            |                                                                          |
| Personal Services - Salaries              | \$ 219,438                     | \$ 233,395                 | \$ (13,957)                                                              |
| Personal Services - Employee Benefits     | 145,995                        | 114,606                    | 31,389                                                                   |
| Purchased Professional/Technical Services | 600                            | 6,716                      | (6,116)                                                                  |
| Other Purchased Services                  | 1,050                          | 397                        | 653                                                                      |
| Supplies                                  | 21,794                         | 22,190                     | (396)                                                                    |
| Other Objects                             | 60                             | -                          | 60                                                                       |
| <b>Total Instructional Staff</b>          | <b><u>\$ 388,937</u></b>       | <b><u>\$ 377,304</u></b>   | <b><u>\$ 11,633</u></b>                                                  |
| <b>Administration</b>                     |                                |                            |                                                                          |
| Personnel Services - Salaries             | \$ 1,091,287                   | \$ 1,161,100               | \$ (69,813)                                                              |
| Personnel Services - Employee Benefits    | 761,236                        | 761,458                    | (222)                                                                    |
| Purchased Professional/Technical Services | 199,350                        | 176,752                    | 22,598                                                                   |
| Purchased Property Services               | 15,249                         | 3,594                      | 11,655                                                                   |
| Other Purchased Services                  | 66,495                         | 57,470                     | 9,025                                                                    |
| Supplies                                  | 30,125                         | 22,903                     | 7,222                                                                    |
| Other Objects                             | 25,408                         | 12,091                     | 13,317                                                                   |
| <b>Total Administration</b>               | <b><u>\$ 2,189,150</u></b>     | <b><u>\$ 2,195,368</u></b> | <b><u>\$ (6,218)</u></b>                                                 |
| <b>Pupil Health</b>                       |                                |                            |                                                                          |
| Personnel Services - Salaries             | \$ 158,246                     | \$ 172,408                 | \$ (14,162)                                                              |
| Personnel Services - Employee Benefits    | 129,976                        | 129,982                    | (6)                                                                      |
| Purchased Professional/Technical Services | 88,925                         | 135,491                    | (46,566)                                                                 |
| Purchased Property Services               | 620                            | 387                        | 233                                                                      |
| Other Purchased Services                  | 950                            | 750                        | 200                                                                      |
| Supplies                                  | 12,870                         | 18,104                     | (5,234)                                                                  |
| Other Objects                             | 240                            | -                          | 240                                                                      |
| <b>Total Pupil Health</b>                 | <b><u>\$ 391,827</u></b>       | <b><u>\$ 457,122</u></b>   | <b><u>\$ (65,295)</u></b>                                                |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**SOUTHMORELAND SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                              | <b><u>FINAL<br/>BUDGET</u></b> | <b><u>ACTUAL</u></b>        | <b><u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u></b> |
|--------------------------------------------------------------|--------------------------------|-----------------------------|--------------------------------------------------------------------------|
| <b>SUPPORT SERVICES (Continued)</b>                          |                                |                             |                                                                          |
| <b>Business</b>                                              |                                |                             |                                                                          |
| Personnel Services - Salaries                                | \$ 231,217                     | \$ 233,297                  | \$ (2,080)                                                               |
| Personnel Services - Employee Benefits                       | 200,317                        | 174,286                     | 26,031                                                                   |
| Purchased Professional/Technical Services                    | 18,450                         | 28,433                      | (9,983)                                                                  |
| Purchased Property Services                                  | 13,493                         | 2,432                       | 11,061                                                                   |
| Other Purchased Services                                     | 7,560                          | 7,419                       | 141                                                                      |
| Supplies                                                     | 3,056                          | 3,728                       | (672)                                                                    |
| Property                                                     | 4,194                          | -                           | 4,194                                                                    |
| Other Objects                                                | 1,250                          | 1,591                       | (341)                                                                    |
| <b>Total Business</b>                                        | <b><u>\$ 479,537</u></b>       | <b><u>\$ 451,186</u></b>    | <b><u>\$ 28,351</u></b>                                                  |
| <b>Operation &amp; Maintenance of Plant Services</b>         |                                |                             |                                                                          |
| Personnel Services - Salaries                                | \$ 1,215,279                   | \$ 1,174,016                | \$ 41,263                                                                |
| Personnel Services - Employee Benefits                       | 928,198                        | 837,590                     | 90,608                                                                   |
| Purchased Professional/Technical Services                    | 73,561                         | 90,174                      | (16,613)                                                                 |
| Purchased Property Services                                  | 266,784                        | 301,579                     | (34,795)                                                                 |
| Other Purchased Services                                     | 236,015                        | 249,347                     | (13,332)                                                                 |
| Supplies                                                     | 710,904                        | 606,154                     | 104,750                                                                  |
| Property                                                     | 178,086                        | 435,565                     | (257,479)                                                                |
| Other Objects                                                | 1,915                          | 584                         | 1,331                                                                    |
| <b>Total Operation and Maintenance of<br/>Plant Services</b> | <b><u>\$ 3,610,742</u></b>     | <b><u>\$ 3,695,009</u></b>  | <b><u>\$ (84,267)</u></b>                                                |
| <b>Student Transportation</b>                                |                                |                             |                                                                          |
| Personnel Services - Salaries                                | \$ 71,259                      | \$ 88,111                   | \$ (16,852)                                                              |
| Personnel Services - Employee Benefits                       | 61,584                         | 73,577                      | (11,993)                                                                 |
| Purchased Property Services                                  | 11,250                         | 5,500                       | 5,750                                                                    |
| Other Purchased Services                                     | 2,161,066                      | 2,459,582                   | (298,516)                                                                |
| Supplies                                                     | 13,900                         | 6,297                       | 7,603                                                                    |
| Property                                                     | 4,250                          | -                           | 4,250                                                                    |
| <b>Total Student Transportation</b>                          | <b><u>\$ 2,323,309</u></b>     | <b><u>\$ 2,633,067</u></b>  | <b><u>\$ (309,758)</u></b>                                               |
| <b>Support Services - Central</b>                            |                                |                             |                                                                          |
| Personnel Services - Salaries                                | \$ 169,982                     | \$ 176,284                  | \$ (6,302)                                                               |
| Personnel Services - Employee Benefits                       | 75,890                         | 70,583                      | 5,307                                                                    |
| Purchased Property Services                                  | 26,050                         | 6,886                       | 19,164                                                                   |
| Other Purchased Services                                     | 6,000                          | 1,556                       | 4,444                                                                    |
| Supplies                                                     | 71,000                         | 154,625                     | (83,625)                                                                 |
| Property                                                     | 100,919                        | 130,870                     | (29,951)                                                                 |
| <b>Total Support Services - Central</b>                      | <b><u>\$ 449,841</u></b>       | <b><u>\$ 540,804</u></b>    | <b><u>\$ (90,963)</u></b>                                                |
| <b>Other Support Services</b>                                |                                |                             |                                                                          |
| Purchased Professional/Technical Services                    | \$ 17,500                      | \$ 4,564                    | \$ 12,936                                                                |
| Other Purchased Services                                     | 8,500                          | 9,675                       | (1,175)                                                                  |
| <b>Total Other Support Services</b>                          | <b><u>\$ 26,000</u></b>        | <b><u>\$ 14,239</u></b>     | <b><u>\$ 11,761</u></b>                                                  |
| <b>TOTAL SUPPORT SERVICES</b>                                | <b><u>\$ 10,626,506</u></b>    | <b><u>\$ 11,435,945</u></b> | <b><u>\$ (809,439)</u></b>                                               |

The accompanying notes are an integral part of these financial statements

**SCHEDULE 2**

**SOUTHMORELAND SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - FINAL BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                                          | <b><u>FINAL<br/>BUDGET</u></b> | <b><u>ACTUAL</u></b>        | <b><u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u></b> |
|----------------------------------------------------------|--------------------------------|-----------------------------|--------------------------------------------------------------------------|
| <b><u>OPERATION OF NON-INSTRUCTIONAL SERVICES</u></b>    |                                |                             |                                                                          |
| <b>Student Activities</b>                                |                                |                             |                                                                          |
| Personal Services - Salaries                             | \$ 330,118                     | \$ 344,487                  | \$ (14,369)                                                              |
| Personal Services - Employee Benefits                    | 146,854                        | 151,472                     | (4,618)                                                                  |
| Purchased Professional/Technical Services                | 70,300                         | 67,291                      | 3,009                                                                    |
| Purchased Property Services                              | 31,000                         | 19,809                      | 11,191                                                                   |
| Other Purchased Services                                 | 143,363                        | 159,809                     | (16,446)                                                                 |
| Supplies                                                 | 91,667                         | 96,462                      | (4,795)                                                                  |
| Property                                                 | 20,000                         | 51,494                      | (31,494)                                                                 |
| Other Objects                                            | 19,905                         | 16,775                      | 3,130                                                                    |
| <b>Total Student Activities</b>                          | <b><u>\$ 853,208</u></b>       | <b><u>\$ 907,599</u></b>    | <b><u>\$ (54,391)</u></b>                                                |
| <b>Community Services</b>                                |                                |                             |                                                                          |
| Personal Services - Salaries                             | \$ 13,500                      | \$ 17,665                   | \$ (4,165)                                                               |
| Personal Services - Employee Benefits                    | 5,675                          | 7,383                       | (1,708)                                                                  |
| Other Purchased Services                                 | -                              | 44                          | (44)                                                                     |
| <b>Total Community Services</b>                          | <b><u>\$ 19,175</u></b>        | <b><u>\$ 25,092</u></b>     | <b><u>\$ (5,917)</u></b>                                                 |
| <b>TOTAL OPERATION OF NON-INSTRUCTIONAL<br/>SERVICES</b> | <b><u>\$ 872,383</u></b>       | <b><u>\$ 932,691</u></b>    | <b><u>\$ (60,308)</u></b>                                                |
| <b><u>FACILITIES ACQUISITION AND IMPROVEMENT</u></b>     |                                |                             |                                                                          |
| Purchased Property Services                              | \$ 111,400                     | \$ 318,713                  | \$ (207,313)                                                             |
| <b>TOTAL FACILITIES ACQUISITION AND IMPROVEMENT</b>      | <b><u>\$ 111,400</u></b>       | <b><u>\$ 318,713</u></b>    | <b><u>\$ (207,313)</u></b>                                               |
| <b><u>DEBT SERVICE</u></b>                               |                                |                             |                                                                          |
| Other Objects                                            | \$ 331,320                     | \$ 298,986                  | \$ 32,334                                                                |
| Other Financing Uses                                     | 2,610,000                      | 2,661,627                   | (51,627)                                                                 |
| <b>TOTAL DEBT SERVICE</b>                                | <b><u>\$ 2,941,320</u></b>     | <b><u>\$ 2,960,613</u></b>  | <b><u>\$ (19,293)</u></b>                                                |
| <b><u>OTHER FINANCING USES</u></b>                       |                                |                             |                                                                          |
| Insurance Recoveries                                     | \$ -                           | \$ 260,368                  | \$ (260,368)                                                             |
| Sale of Fixed Assets                                     | -                              | 7,950                       | (7,950)                                                                  |
| Operating Transfers Out                                  | 78,331                         | -                           | 78,331                                                                   |
| <b>Total Transfers</b>                                   | <b><u>\$ 78,331</u></b>        | <b><u>\$ 268,318</u></b>    | <b><u>\$ (189,987)</u></b>                                               |
| <b>TOTAL EXPENDITURES</b>                                | <b><u>\$ 35,643,662</u></b>    | <b><u>\$ 38,165,113</u></b> | <b><u>\$ (2,521,451)</u></b>                                             |

The accompanying notes are an integral part of these financial statements

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**SOUTHMORELAND SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                                  | <b>2024</b>   | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   |
|----------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability                                                             | 0.0867%       | 0.0896%       | 0.0866%       | 0.0841%       | 0.0872%       | 0.0920%       | 0.0914%       | 0.0926%       | 0.0892%       | 0.0927%       |
| District's proportionate share of the net pension liability                                                    | \$ 36,288,000 | \$ 39,860,000 | \$ 38,501,000 | \$ 34,529,000 | \$ 42,936,000 | \$ 43,040,000 | \$ 43,877,000 | \$ 45,734,000 | \$ 44,205,000 | \$ 40,153,000 |
| District's covered-employee payroll                                                                            | \$ 13,663,265 | \$ 13,687,366 | \$ 12,722,261 | \$ 11,895,718 | \$ 12,225,017 | \$ 12,689,064 | \$ 12,305,232 | \$ 12,330,405 | \$ 11,555,858 | \$ 11,921,751 |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 265.59%       | 291.22%       | 302.63%       | 290.26%       | 351.21%       | 339.19%       | 356.57%       | 370.90%       | 382.53%       | 336.80%       |
| Plan fiduciary net position as a percentage of<br>the total pension liability                                  | 64.63%        | 61.85%        | 61.34%        | 63.67%        | 54.32%        | 55.66%        | 54.00%        | 51.84%        | 50.14%        | 54.36%        |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

**SOUTHMORELAND SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30.**

|                                                                     | <u>2025</u>        | <u>2024</u>        | <u>2023</u>        | <u>2022</u>        | <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                | \$ 4,464,771       | \$ 4,549,042       | \$ 4,694,385       | \$ 4,318,919       | \$ 3,999,129       | \$ 4,075,104       | \$ 4,121,007       | \$ 3,865,864       | \$ 3,645,286       | \$ 2,878,237       |
| Contribution in relation to the contractually required contribution | <u>(4,464,771)</u> | <u>(4,549,042)</u> | <u>(4,694,385)</u> | <u>(4,318,919)</u> | <u>(3,999,129)</u> | <u>(4,075,104)</u> | <u>(4,121,007)</u> | <u>(3,865,864)</u> | <u>(3,645,286)</u> | <u>(2,878,237)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| District's covered payroll                                          | \$ 13,537,203      | \$ 13,663,265      | \$ 13,687,366      | \$ 12,722,261      | \$ 11,895,718      | \$ 12,225,017      | \$ 12,689,064      | \$ 12,305,232      | \$ 12,330,405      | \$ 11,555,858      |
| Contributions as a percentage of covered-employee payroll           | 32.98%             | 33.29%             | 34.30%             | 33.95%             | 33.62%             | 33.33%             | 32.48%             | 31.42%             | 29.56%             | 24.91%             |

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

**SOUTHMORELAND SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**PSERS PLAN**  
**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                               | <b><u>2024</u></b> | <b><u>2023</u></b> | <b><u>2022</u></b> | <b><u>2021</u></b> | <b><u>2020</u></b> | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> |
|-------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net OPEB liability                                                             | 0.0861%            | 0.0893%            | 0.0865%            | 0.0839%            | 0.0871%            | 0.0920%            | 0.0914%            | 0.0926%            |
| District's proportionate share of the net OPEB liability                                                    | \$ 1,530,000       | \$ 1,616,000       | \$ 1,592,000       | \$ 1,989,000       | \$ 1,882,000       | \$ 1,957,000       | \$ 1,906,000       | \$ 1,887,000       |
| District's covered-employee payroll                                                                         | \$ 13,663,265      | \$ 13,687,366      | \$ 12,722,261      | \$ 11,895,718      | \$ 12,225,017      | \$ 12,689,064      | \$ 12,305,232      | \$ 12,330,405      |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-employee payroll | 11.20%             | 11.81%             | 12.51%             | 16.72%             | 15.39%             | 15.42%             | 15.49%             | 15.30%             |
| Plan fiduciary net position as a percentage of<br>the total OPEB liability                                  | 7.13%              | 7.22%              | 6.86%              | 5.30%              | 5.69%              | 5.56%              | 5.56%              | 5.73%              |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

SOUTHMORELAND SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS  
PSERS PLAN  
JUNE 30,

|                                                                        | <u>2025</u>     | <u>2024</u>     | <u>2023</u>      | <u>2022</u>      | <u>2021</u>     | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|------------------------------------------------------------------------|-----------------|-----------------|------------------|------------------|-----------------|------------------|------------------|------------------|------------------|
| Contractually Required Contributions                                   | \$ 86,403       | \$ 87,272       | \$ 102,023       | \$ 101,205       | \$ 97,337       | \$ 102,334       | \$ 104,921       | \$ 101,092       | \$ 100,752       |
| Contribution in relation to the contractually<br>required contribution | <u>(86,403)</u> | <u>(87,272)</u> | <u>(102,023)</u> | <u>(101,205)</u> | <u>(97,337)</u> | <u>(102,334)</u> | <u>(104,921)</u> | <u>(101,092)</u> | <u>(100,752)</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll                                             | \$ 13,537,203   | \$ 13,663,265   | \$ 13,687,366    | \$ 12,722,261    | \$ 11,895,718   | \$ 12,225,017    | \$ 12,689,064    | \$ 12,305,232    | \$ 12,330,405    |
| Contributions as a percentage of<br>covered-employee payroll           | 0.64%           | 0.64%           | 0.75%            | 0.80%            | 0.82%           | 0.84%            | 0.83%            | 0.82%            | 0.82%            |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**SOUTHMORELAND SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DISTRICT POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30,**

|                                                                  | <u>2025</u>         | <u>2024</u>         | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost                                                     | \$ 96,694           | \$ 89,770           | \$ 111,699          | \$ 75,841           | \$ 69,613           | \$ 108,415          | \$ 106,130          |
| Interest                                                         | 88,163              | 80,068              | 55,881              | 53,283              | 80,432              | 84,826              | 78,137              |
| Changes of Benefit Terms                                         | -                   | -                   | -                   | (215,296)           | -                   | -                   | -                   |
| Difference between expected and actual experience                | -                   | 102,953             | -                   | 343,286             | -                   | 75,740              | -                   |
| Changes of assumptions or other inputs                           | (26,987)            | (157,262)           | (286,818)           | 121,742             | 134,931             | 27,409              | (32,282)            |
| Benefit payments                                                 | (238,932)           | (242,654)           | (206,050)           | (202,748)           | (172,050)           | (190,203)           | (142,713)           |
| <b>Net Change in Total OPEB Liability</b>                        | <b>\$ (81,062)</b>  | <b>\$ (127,125)</b> | <b>\$ (325,288)</b> | <b>\$ 176,108</b>   | <b>\$ 112,926</b>   | <b>\$ 106,187</b>   | <b>\$ 9,272</b>     |
| <b>Total OPEB Liability - Beginning of Year</b>                  | <b>2,134,687</b>    | <b>2,261,812</b>    | <b>2,587,100</b>    | <b>2,410,992</b>    | <b>2,298,066</b>    | <b>2,191,879</b>    | <b>2,182,607</b>    |
| <b>Total OPEB Liability - End of Year</b>                        | <b>\$ 2,053,625</b> | <b>\$ 2,134,687</b> | <b>\$ 2,261,812</b> | <b>\$ 2,587,100</b> | <b>\$ 2,410,992</b> | <b>\$ 2,298,066</b> | <b>\$ 2,191,879</b> |
| Covered-employee payroll                                         | \$ 9,988,390        | \$ 9,744,771        | \$ 9,373,037        | \$ 9,144,426        | \$ 9,404,816        | \$ 9,175,430        | \$ 9,080,970        |
| Total OPEB liability as a percentage of covered-employee payroll | 20.56%              | 21.91%              | 24.13%              | 28.29%              | 25.64%              | 25.05%              | 24.14%              |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PSERS PENSION BENEFITS**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2024**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2023**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Changes in Benefit Terms**

None

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**  
**(Continued)**

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2024**

- Investment return went from 4.13% S&P 20 Year Municipal Bond Rate to 4.21% S&P 20 Year Municipal Bond Rate
- The discount rate increased from 4.13% to 4.21%

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2023**

- Investment return went from 4.09% S&P 20 Year Municipal Bond Rate to 4.13% S&P 20 Year Municipal Bond Rate
- The discount rate increased from 4.09% to 4.13%

**Changes in Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

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

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 3 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE RETIREE OPEB SCHOOL PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions**

- Updated discount rate from 4.13% at 6/30/2024 to 4.29% at 6/30/2025

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The actuarial plan does not disclose actuarial assumptions, if applicable, used in the calculations of Actuarially Determined Contributions.

# **SOUTHMORELAND SCHOOL DISTRICT**

## ***SUPPLEMENTARY INFORMATION AS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE***

**Turnley Robertson & Associates LLC**

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

**Management and Board of Education  
Southmoreland School District**

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 Standard* 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 the Southmoreland School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Southmoreland School District's basic financial statements, and have issued our report thereon dated March 25, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Southmoreland 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 the Southmoreland School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southmoreland 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 Southmoreland School District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 may exist that have not been identified.

**Management and Board of Education  
Southmoreland School District**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Southmoreland School District's financial statements are free of 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 Southmoreland School 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 Southmoreland School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Turnley Robertson & Associates, LLC*

Turnley Robertson & Associates LLC

March 25, 2026  
New Brighton, Pennsylvania

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

**Management and Board of Education  
Southmoreland School District**

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **Opinion on Each Major Federal Program**

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

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

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; The standards applicable to financial audits contained in Government Auditing Standards. Issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 Southmoreland School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Southmoreland School District's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southmoreland School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 judgement made by a reasonable user of the report on compliance about Southmoreland School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement 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 Southmoreland 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 Southmoreland 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 Southmoreland 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 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.

*Turnley Robertson & Associates, LLC*  
Turnley Robertson & Associates LLC

March 25, 2026  
New Brighton, Pennsylvania

**SOUTHMORELAND SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

| FEDERAL GRANTOR/PROJECT TITLE                                                          | FUNDING SOURCE | ASSISTANCE LISTING NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | 2024-2025 PASSED THROUGH TO SUBRECIPIENTS | TOTAL RECEIVED THIS PERIOD | ACCRUED (UNEARNED) REVENUE JULY 1 | REVENUE RECOGNIZED  | EXPENDITURES        | ACCRUED (UNEARNED) REVENUE JUNE 30 |
|----------------------------------------------------------------------------------------|----------------|---------------------------|-----------------------------|--------------------------------------|----------------------|-------------------------------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                                    |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Department of Education:</b>                                     |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| Title I                                                                                | Indirect       | 84.010                    | 13-250410                   | 7/1/24-9/30/25                       | \$ 578,312           | \$ -                                      | \$ 540,385                 | \$ -                              | \$ 578,312          | \$ 578,312          | \$ 37,927                          |
| Title I                                                                                | Indirect       | 84.010                    | 13-240410                   | 7/1/23-9/30/24                       | 585,757              | -                                         | 196,009                    | 133,197                           | 62,812              | 62,812              | -                                  |
| Title II - Improving Teacher Quality                                                   | Indirect       | 84.367                    | 20-250410                   | 7/1/24-9/30/25                       | 67,589               | -                                         | 45,743                     | -                                 | 64,668              | 64,668              | 18,925                             |
| Title II - Improving Teacher Quality                                                   | Indirect       | 84.367                    | 20-240410                   | 7/1/23-9/30/24                       | 71,777               | -                                         | 14,802                     | 14,802                            | -                   | -                   | -                                  |
| Title IV                                                                               | Indirect       | 84.424                    | 144-250410                  | 7/1/24-9/30/25                       | 44,112               | -                                         | 8,822                      | -                                 | 35,767              | 35,767              | 26,945                             |
| Title IV                                                                               | Indirect       | 84.424                    | 144-240410                  | 7/1/23-9/30/24                       | 33,325               | -                                         | 2,222                      | (24,438)                          | 26,660              | 26,660              | -                                  |
| Title IV                                                                               | Indirect       | 84.424                    | 144-230410                  | 7/1/22-9/30/23                       | 33,861               | -                                         | -                          | (12,283)                          | 12,283              | 12,283              | -                                  |
| Title IV - SCG Program                                                                 | Indirect       | 84.424                    | 244-240410                  | 5/1/24-9/30/26                       | 550,008              | -                                         | 208,624                    | -                                 | 253,801             | 253,801             | 45,177                             |
| COVID-19 - ARP ESSER III Fund Local                                                    | Indirect       | 84.425U                   | 223-210410                  | 3/13/20-9/30/24                      | 3,067,970            | -                                         | 278,907                    | 75,968                            | 202,939             | 202,939             | -                                  |
| COVID-19 - ARP ESSER 7% (Learning Loss)                                                | Indirect       | 84.425U                   | 225-210410                  | 3/13/20-9/30/24                      | 170,321              | -                                         | 99,096                     | 41,161                            | 57,935              | 57,935              | -                                  |
| COVID-19 - ARP ESSER 7% (Summer School)                                                | Indirect       | 84.425U                   | 225-210410                  | 3/13/20-9/30/24                      | 34,064               | -                                         | 19,819                     | 19,819                            | -                   | -                   | -                                  |
| COVID-19 - ARP ESSER 7% (After School)                                                 | Indirect       | 84.425U                   | 225-210410                  | 3/13/20-9/30/24                      | 34,064               | -                                         | 19,819                     | 19,819                            | -                   | -                   | -                                  |
| <b>Total Passed through Pa. Department of Education</b>                                |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 1,434,248</b>        | <b>\$ 268,045</b>                 | <b>\$ 1,295,177</b> | <b>\$ 1,295,177</b> | <b>\$ 128,974</b>                  |
| <b>Passed through Westmoreland Intermediate Unit (Special Education Cluster):</b>      |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| IDEA                                                                                   | Indirect       | 84.027                    | N/A                         | 7/1/24-6/30/25                       | \$ 472,984           | \$ -                                      | \$ -                       | \$ -                              | \$ 472,984          | \$ 472,984          | \$ 472,984                         |
| IDEA                                                                                   | Indirect       | 84.027                    | N/A                         | 7/1/23-6/30/24                       | 458,203              | -                                         | 398,569                    | 398,569                           | -                   | -                   | -                                  |
| IDEA Section 619                                                                       | Indirect       | 84.173                    | N/A                         | 7/1/24-6/30/25                       | 2,300                | -                                         | -                          | -                                 | 2,300               | 2,300               | 2,300                              |
| IDEA Section 619                                                                       | Indirect       | 84.173                    | N/A                         | 7/1/23-6/30/24                       | 3,980                | -                                         | 3,980                      | 3,980 (2)                         | -                   | -                   | -                                  |
| <b>Total Passed through Westmoreland Intermediate Unit (Special Education Cluster)</b> |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 402,549</b>          | <b>\$ 402,549</b>                 | <b>\$ 475,284</b>   | <b>\$ 475,284</b>   | <b>\$ 475,284</b>                  |
| <b>Total Special Education Cluster</b>                                                 |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 402,549</b>          | <b>\$ 402,549</b>                 | <b>\$ 475,284</b>   | <b>\$ 475,284</b>   | <b>\$ 475,284</b>                  |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                                              |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 1,836,797</b>        | <b>\$ 670,594</b>                 | <b>\$ 1,770,461</b> | <b>\$ 1,770,461</b> | <b>\$ 604,258</b>                  |
| <b>U.S. DEPARTMENT OF TREASURY</b>                                                     |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Commission on Crime and Delinquency</b>                          |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| COVID-SFR School Mental Health Grant                                                   | Indirect       | 21.027                    | 2023-CM-01-42995            | 1/1/24-12/31/25                      | \$ 123,546           | \$ -                                      | \$ 78,769                  | \$ -                              | \$ 100,302          | \$ 100,302          | \$ 21,533                          |
| <b>Total passed through Pa. Commission on Crime and Delinquency</b>                    |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 78,769</b>           | <b>\$ -</b>                       | <b>\$ 100,302</b>   | <b>\$ 100,302</b>   | <b>\$ 21,533</b>                   |
| <b>TOTAL U.S. DEPARTMENT OF TREASURY</b>                                               |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 78,769</b>           | <b>\$ -</b>                       | <b>\$ 100,302</b>   | <b>\$ 100,302</b>   | <b>\$ 21,533</b>                   |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                                  |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Department of Education (Child Nutrition Cluster):</b>           |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| National School                                                                        |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| Lunch Program                                                                          | Indirect       | 10.555                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | \$ -                                      | \$ 804,774                 | \$ -                              | \$ 804,774          | \$ 804,774 (1)      | \$ -                               |
| Lunch Program                                                                          | Indirect       | 10.555                    | N/A                         | 7/1/23-6/30/24                       | N/A                  | -                                         | 3,740                      | 3,740                             | -                   | -                   | -                                  |
| Breakfast Program                                                                      | Indirect       | 10.553                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | -                                         | 278,268                    | -                                 | 278,268             | 278,268 (1)         | -                                  |
| Breakfast Program                                                                      | Indirect       | 10.553                    | N/A                         | 7/1/23-6/30/24                       | N/A                  | -                                         | 2,573                      | 2,573                             | -                   | -                   | -                                  |
| Summer Food Program                                                                    | Indirect       | 10.559                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | -                                         | 19,078                     | -                                 | 25,571              | 25,571 (1)          | 6,493                              |
| Summer Food Program                                                                    | Indirect       | 10.559                    | N/A                         | 7/1/23-6/30/24                       | N/A                  | -                                         | 6,728                      | 6,728                             | -                   | -                   | -                                  |
| <b>Total Passed through Pa. Department of Education (Child Nutrition Cluster)</b>      |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 1,115,161</b>        | <b>\$ 13,041</b>                  | <b>\$ 1,108,613</b> | <b>\$ 1,108,613</b> | <b>\$ 6,493</b>                    |
| <b>Passed through Pa. Department of Agriculture (Child Nutrition Cluster):</b>         |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| National School Lunch Program                                                          | Indirect       | 10.555                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | \$ -                                      | \$ 96,260                  | * \$ (16,781) **                  | \$ 96,250           | \$ 96,250 (1)       | \$ (16,791) ***                    |
| <b>Total Passed through Pa. Department of Agriculture (Child Nutrition Cluster)</b>    |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 96,260</b>           | <b>\$ (16,781)</b>                | <b>\$ 96,250</b>    | <b>\$ 96,250</b>    | <b>\$ (16,791)</b>                 |
| <b>Total Child Nutrition Cluster</b>                                                   |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 1,211,421</b>        | <b>\$ (3,740)</b>                 | <b>\$ 1,204,863</b> | <b>\$ 1,204,863</b> | <b>\$ (10,298)</b>                 |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                                            |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 1,211,421</b>        | <b>\$ (3,740)</b>                 | <b>\$ 1,204,863</b> | <b>\$ 1,204,863</b> | <b>\$ (10,298)</b>                 |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                    |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Department of Human Services</b>                                 |                |                           |                             |                                      |                      |                                           |                            |                                   |                     |                     |                                    |
| Title 19                                                                               | Indirect       | 93.778                    | N/A                         | 7/1/24-6/30/25                       | N/A                  | \$ -                                      | \$ 7,052                   | \$ -                              | \$ 7,052            | \$ 7,052            | \$ -                               |
| <b>Total passed through Pa. Department of Human Services</b>                           |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 7,052</b>            | <b>\$ -</b>                       | <b>\$ 7,052</b>     | <b>\$ 7,052</b>     | <b>\$ -</b>                        |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                              |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 7,052</b>            | <b>\$ -</b>                       | <b>\$ 7,052</b>     | <b>\$ 7,052</b>     | <b>\$ -</b>                        |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                                        |                |                           |                             |                                      |                      | <b>\$ -</b>                               | <b>\$ 3,134,039</b>        | <b># \$ 666,854</b>               | <b>\$ 3,082,678</b> | <b>\$ 3,082,678</b> | <b>\$ 615,493</b>                  |

**# Reconciliation with federal subsidy confirmation:**

|                                               |                     |
|-----------------------------------------------|---------------------|
| Per Above                                     | \$ 3,134,039        |
| School Lunch/Breakfast Matching State Subsidy | 76,727              |
| IDEA                                          | (402,549)           |
| COVID-SFR School Mental Health Grant          | (78,769)            |
| Medical Assistance - Access                   | 199,601             |
| Donated Commodities                           | (96,260)            |
| Title 19                                      | (7,052)             |
| Per Confirmation                              | <b>\$ 2,825,737</b> |

\* Total USDA Commodity Received

\*\* Represents beginning inventory - 7/1/2024

\*\*\* Represents ending inventory - 6/30/2025

(1) Denotes Major Program

(2) Prior year accrued revenue was increased by \$908 to reflect updated IDEA 619 expenditures for the prior year.

**SOUTHMORELAND SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2025**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Southmoreland School District for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Southmoreland School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable is included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C as referenced in Note 6 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Southmoreland School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2024-2025 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

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

**SOUTHMORELAND SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

Noncompliance material to financial statements noted?

\_\_\_yes    X no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

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

Unmodified

Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516(a)?

\_\_\_yes    X no

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

|        |                                                         |
|--------|---------------------------------------------------------|
| 10.555 | National School Lunch Program (Child Nutrition Cluster) |
| 10.553 | School Breakfast Program (Child Nutrition Cluster)      |
| 10.559 | Summer Food Program (Child Nutrition Cluster)           |

The dollar threshold for distinguishing type A and type B programs:

|                |                          |
|----------------|--------------------------|
| Type A Program | \$750,000 - \$25,000,000 |
| Type B Program | Less than \$750,000      |

Auditee qualified as low-risk auditee?

X yes    \_\_\_no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

**SOUTHMORELAND SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2025**

The audit report of the Southmoreland School District for the year ended June 30, 2024, dated March 24, 2025, contained no audit findings.