



LOWER DAUPHIN SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2023



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

# *LOWER DAUPHIN SCHOOL DISTRICT*

YEAR ENDED JUNE 30, 2023

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YEAR ENDED JUNE 30, 2023

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***LOWER DAUPHIN SCHOOL DISTRICT***

YEAR ENDED JUNE 30, 2023

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## Independent Auditor's Report

Board of School Directors  
Lower Dauphin School District  
Hummelstown, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lower Dauphin School District (the District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lower Dauphin School District as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension information, schedules of other postemployment benefits information and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Lower Dauphin School District's basic financial statements. The combining supplementary information on nonmajor funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards 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.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of Lower Dauphin School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Dauphin School District's internal control over financial reporting and compliance.

*Brown Schultz Steindler & Fritz*

Camp Hill, Pennsylvania  
November 17, 2023

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

The discussion and analysis of Lower Dauphin School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

The District adopted new standards for recognizing pension expense during the 2014-2015 fiscal year. As a result, the District is required to record its share of the Pennsylvania Public School Employees' Retirement System (PSERS) unfunded net pension liability. The District's portion of this liability increased \$4,552,000 from the prior year to \$83,627,000 and has been reported on its government-wide financial statements. New reporting for other postemployment benefits (OPEB) was implemented in the 2017-2018 fiscal year, which requires recording liabilities as required by Governmental Accounting Standards Board (GASB) Statement No. 75. For 2022-2023, these liabilities decreased \$5,302,206 from the prior year to \$13,632,379. The recognition of these pension and OPEB liabilities causes the District's total liabilities and deferred inflows to exceed its total assets and deferred outflows as of June 30, 2023, generating a net deficit for the governmental activities of \$(27,673,542).

As of June 30, 2023, the District's unassigned fund balance was \$1,544,354, which represents 2.00% of the budgeted expenditures and other financing uses for the 2023-2024 fiscal year.

**USING THIS ANNUAL REPORT**

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

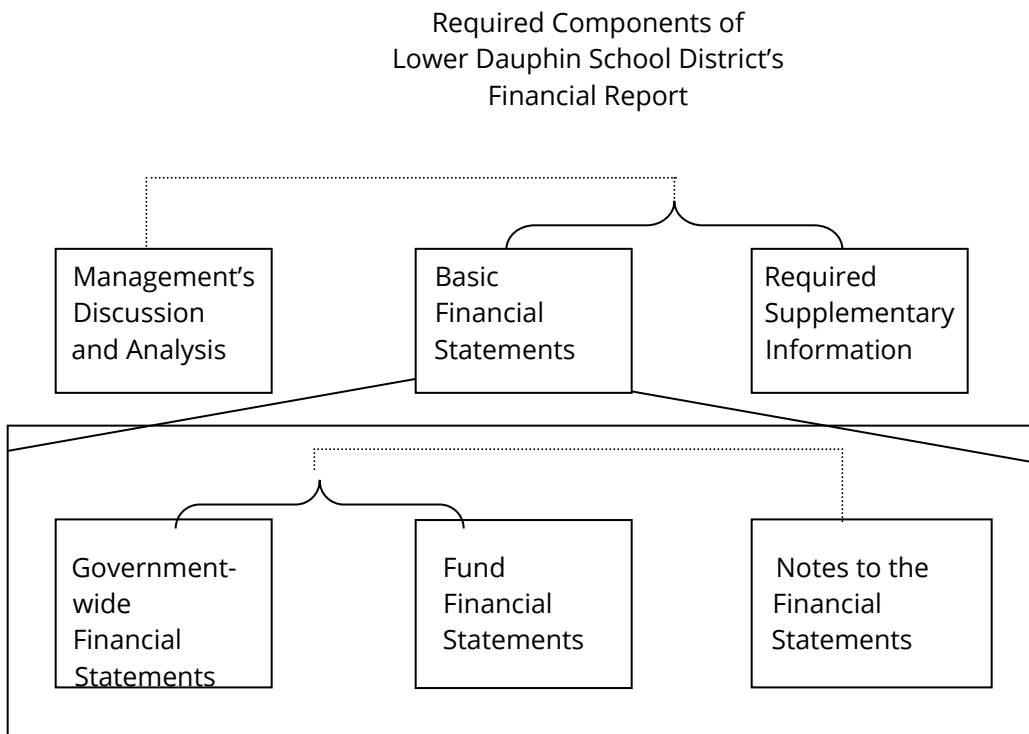
The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.



***LOWER DAUPHIN SCHOOL DISTRICT***  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

The following diagram shows how the required parts of the financial report are arranged and relate to one another:



**LOWER DAUPHIN SCHOOL DISTRICT**  
**HUMMELSTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)**  
**(Required Supplementary Information)**  
**(unaudited)**  
**YEAR ENDED JUNE 30, 2023**

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

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

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

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

**OVERVIEW OF FINANCIAL STATEMENTS**

*Government-wide Statements*

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

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

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

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

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

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

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

*Fund Financial Statements*

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

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

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

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

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position (deficit) was \$(26,905,923) and \$(32,017,729) at June 30, 2023 and 2022, respectively, per the following schedule.

	June 30					
	Net position (deficit)					
	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets and deferred outflows:</b>						
Current and other assets	\$ 27,039,301	\$ 27,223,719	\$ 888,945	\$ 676,259	\$ 27,928,246	\$ 27,899,978
Capital assets	54,982,977	56,127,627		212	54,982,977	56,127,839
Deferred outflows of resources	12,500,687	15,449,230			12,500,687	15,449,230
<b>Total assets and deferred outflows of resources</b>	<b>\$ 94,522,965</b>	<b>\$ 98,800,576</b>	<b>\$ 888,945</b>	<b>\$ 676,471</b>	<b>\$ 95,411,910</b>	<b>\$ 99,477,047</b>
<b>Liabilities and deferred inflows:</b>						
Current liabilities	\$ 11,906,026	\$ 11,344,685	\$ 121,326	\$ 197,735	\$ 12,027,352	\$ 11,542,420
Long-term liabilities	102,442,862	106,347,409			102,442,862	106,347,409
Deferred inflows of resources	7,847,619	13,604,947			7,847,619	13,604,947
<b>Total liabilities and deferred inflows of resources</b>	<b>122,196,507</b>	<b>131,297,041</b>	<b>121,326</b>	<b>197,735</b>	<b>122,317,833</b>	<b>131,494,776</b>
<b>Net position (deficit):</b>						
Net investment in capital assets	48,337,455	46,027,136		212	48,337,455	46,027,348
Restricted	2,093,007	2,062,957			2,093,007	2,062,957
Unrestricted	(78,104,004)	(80,586,558)	767,619	478,524	(77,336,385)	(80,108,034)
<b>Total net position (deficit)</b>	<b>(27,673,542)</b>	<b>(32,496,465)</b>	<b>767,619</b>	<b>478,736</b>	<b>(26,905,923)</b>	<b>(32,017,729)</b>
<b>Total liabilities, deferred inflows and net position (deficit)</b>	<b>\$ 94,522,965</b>	<b>\$ 98,800,576</b>	<b>\$ 888,945</b>	<b>\$ 676,471</b>	<b>\$ 95,411,910</b>	<b>\$ 99,477,047</b>

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

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

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

Fiscal year ended June 30 Changes in net position (deficit)						
	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 77,359	\$ 70,318	\$ 992,051	\$ 410,160	\$ 1,069,410	\$ 480,478
Operating grants and contributions	14,729,429	14,016,902	1,286,820	2,040,066	16,016,249	16,056,968
General revenues:						
Property taxes	32,000,994	31,127,967			32,000,994	31,127,967
Other taxes	9,420,168	9,073,375			9,420,168	9,073,375
Grants subsidies, unrestricted	12,642,054	11,614,758			12,642,054	11,614,758
Other	1,014,980	151,071	27,264	9,366	1,042,244	160,437
<b>Total revenues</b>	<b>69,884,984</b>	<b>66,054,391</b>	<b>2,306,135</b>	<b>2,459,592</b>	<b>72,191,119</b>	<b>68,513,983</b>
<b>Expenses:</b>						
Instructional services	42,728,765	42,254,327			42,728,765	42,254,327
Support services	21,184,297	19,394,189			21,184,297	19,394,189
Noninstructional services	1,148,999	1,159,250			1,148,999	1,159,250
Food service			2,017,252	1,863,537	2,017,252	1,863,537
<b>Total expenses</b>	<b>65,062,061</b>	<b>62,807,766</b>	<b>2,017,252</b>	<b>1,863,537</b>	<b>67,079,313</b>	<b>64,671,303</b>
<b>Changes in net position</b>	<b>\$ 4,822,923</b>	<b>\$ 3,246,625</b>	<b>\$ 288,883</b>	<b>\$ 596,055</b>	<b>\$ 5,111,806</b>	<b>\$ 3,842,680</b>

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

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

Fiscal year ended June 30				
Governmental activities				
Function/programs	Total cost of services		Net cost of services	
	2023	2022	2023	2022
Regular instruction	\$ 27,272,581	\$ 26,158,963	\$ 22,846,580	\$ 22,033,351
Special instruction	11,375,588	11,927,763	6,559,969	7,176,201
Vocational instruction	2,788,648	2,828,004	2,591,239	2,621,794
Other instructional programs	1,094,472	1,147,973	337,481	380,937
Community college	186,867	186,867	186,867	186,867
Pre-kindergarten	10,609	4,757	(368)	(140)
Pupil personnel	2,846,124	2,624,660	2,360,386	2,144,847
Instructional staff	2,977,604	2,388,420	2,633,012	2,023,216
Administration	4,294,843	4,067,283	3,810,001	3,593,765
Pupil health	794,050	767,830	629,749	604,779
Business services	617,845	569,110	552,262	508,582
Operation of plant and maintenance	6,166,208	5,618,753	5,616,164	5,282,196
Student transportation services	2,955,662	2,857,012	1,423,926	1,393,423
Central	480,311	461,265	424,807	408,756
Other support services	39,190	39,856	39,190	39,856
Student activities	1,092,316	1,077,906	958,393	952,529
Community services	9,645	9,499	5,329	702
Debt service, interest	59,498	71,845	(719,714)	(631,115)
<b>Total governmental activities</b>	<b>\$ 65,062,061</b>	<b>\$ 62,807,766</b>	<b>50,255,273</b>	<b>48,720,546</b>
Unrestricted grants, subsidies			(12,642,054)	(11,614,758)
<b>Total needs from local taxes and other revenues</b>			<b>\$ 37,613,219</b>	<b>\$ 37,105,788</b>

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

Fiscal year ended June 30  
Business-type activities

Function/programs	Total cost of services		Net cost of services	
	2023	2022	2023	2022
Food services	\$ 2,017,252	\$ 1,863,537	\$ (261,619)	\$ (586,689)
Other			(27,264)	(9,366)
Total business-type activities			<u>\$ (288,883)</u>	<u>\$ (596,055)</u>

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

**THE DISTRICT'S FUNDS**

The 2022-23 General Fund budget includes athletic activities and projected an excess of expenditures and other financing uses over revenues by \$5,625,000. The final results of operations resulted in an excess of expenditures and other financing uses over revenues by \$369,587, with an ending fund balance of \$15,314,825. The Board of School Directors (the Board) has committed \$7,600,000 of fund balance, of which \$2,000,000 is for future building and grounds needs, and \$5,600,000 is for future fuel, electricity and employee benefit increases. The assigned fund balance of \$6,140,471 includes \$5,425,000 used to balance the 2023-24 budget and \$715,471 assigned for future Dauphin County Technical School (DCTS) use. The nonspendable fund balance of \$30,000 represents inventories. The remaining unassigned fund balance is \$544,354, which is 2.00% of the 2023-24 budgeted expenditures and other financing uses.



**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

*Budget-to-Actual Comparison*

Revenues

For the year ended June 30, 2023, the revenues are over budget by \$1,863,206. Local revenues are over budget by \$2,675,774. Current real estate tax collections exceeded budget by \$342,992, and interim real estate taxes exceeded budget by \$638,718. Act 511 earned income taxes exceeded budget by \$710,618, and real estate transfer taxes exceeded budget by \$355,921. Interest on investments grew significantly due to multiple interest rate increases and exceeded budget by \$831,620. In state funding, the revenue is over budget by \$450,832. Basic education funding exceeded budget by \$610,749, and special education funding exceeded budget by \$193,504. Social Security and retirement combined are under budget by \$310,948. Federal revenues are under budget by \$1,263,400. The budget included \$1,240,000 for planned boiler replacements that will take place in the next fiscal year.

Expenditures and other financing uses

For the year ended June 30, 2023, the expenditures and other financing uses are \$70,603,793 and under budget by \$3,392,207. Salaries are \$761,728 under budget largely due to less hourly staff since positions were not able to be filled and staff turnover throughout all positions as a result of staffing shortages due to the current state of the economy. Social Security and retirement payments were also impacted and are under budget in total by \$528,841. Medical insurance totaled \$7,253,243 and is over budget by \$252,852. The District is self-funded for medical insurance. Purchased Intermediate Unit services are over budget by \$134,811 and other professional services are over budget by \$164,807. Tuitions paid to charter schools totaled \$1,905,569 and is under budget by \$244,431 and tuitions for other out of district placements are under budget by \$3,392,207. Contracted carriers for transportation are under budget by \$237,197 due to bus and van runs being consolidated since the contractor was impacted by the nationwide bus driver shortage. Repairs and maintenance are under budget \$149,494, and utilities are over budget by \$436,075. Supplies are under budget by \$334,088, and equipment is under budget \$1,253,082 primarily due to planned expenditures for federal grants.

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

*Current Year – Prior Year Comparison*

Expenditures and other financing uses

Salaries increased in 2022-23 over the prior year by \$678,960 due to scheduled increases for all staff.

Medical insurance benefit costs increased by \$867,088. The District has sufficient funds in its self-insurance account to cover 45 days of claims, which at June 30, 2023 is \$1,049,838. Contributions to the Pennsylvania Public School Employees' Retirement System (PSERS) increased by \$345,112, or 3.6%, over the prior year. The PSERS established contribution rate changed from 34.94% to 35.26% for the District and is mandatory. Other professional services increased \$223,623; repairs and maintenance increased \$152,524 and transportation increased \$140,901. Tuitions paid to charter schools decreased \$431,349. In total, expenditures increased over the prior year by \$4,132,306.

In total, actual budgetary activities for special education services in 2022-23 were \$11,468,012; a decrease over the prior year of \$511,592. Salaries increased \$34,921 and benefits increased \$53,878. Other purchased services which includes tuition paid for services outside the District decreased by \$540,753. The District's special education population has increased from 10.28% of the total population in 1996-97 to 18.9% of the total population in 2022-23.

The operation and maintenance of plant for 2022-23 totaled \$7,730,091 for actual budgetary activities. This is an increase of \$1,954,530 compared to the prior year, primarily from the equipment increase of \$1,176,030 which includes the turf field replacement. Repairs and maintenance increased \$151,900 and electricity increased \$274,988.

Debt service costs increased \$321,401 in 2022-23 based on scheduled payments of principal and interest for the General Obligation Note for the Series of 2021.

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

*Current Year – Prior Year Comparison (continued)*

Revenues

The District's actual budgetary activities for revenue for the fiscal year totaled \$70,234,206, an increase of \$4,217,476 from the previous year. Local sources increased \$2,552,266 over the previous year. Current real estate taxes increased \$901,329 due to increases in assessed values and a tax increase from 18.42 mills to 18.97 mills. Interim real estate taxes increased \$552,174. Collections for current Act 511 occupation taxes increased \$294,225. Interest on investments increased \$838,079 due to multiple interest increases by the Federal Reserve during the past year. State sources increased by \$1,483,507, which reflects an increase in the basic education funding of \$610,752, and special education funding increase of \$178,549. The state property tax reduction all allocation increased \$347,538. Federal revenue increased by \$181,703. The District received grants from ESSER - Elementary and Secondary School Emergency Relief Fund under ESSER II, ESSER III and ARP ESSER. Each grant has specific effective dates. Revenue is recorded to equal expenditures in each fiscal year.

*General Fund Budget*

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

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

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At June 30, 2023, the District's governmental activities' capital assets showed an increase of \$1,595,904 to \$132,259,911. Capital assets include land, buildings, construction in progress and furniture and equipment.

The following provides a breakdown of the capital assets and the accumulated depreciation as of June 30, 2023 and 2022.

June 30, 2023 and 2022  
Governmental activities  
Capital assets

	2023	2022
	<hr/>	<hr/>
Land	\$ 530,467	\$ 530,467
Construction in progress	155,517	
Site improvements	9,812,742	9,759,770
Building and improvements	100,756,793	100,720,088
Machinery and equipment	21,004,392	19,653,682
	<hr/>	<hr/>
	132,259,911	130,664,007
Accumulated depreciation	(77,276,934)	(74,536,380)
	<hr/>	<hr/>
	\$ 54,982,977	\$ 56,127,627
	<hr/>	<hr/>

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

*Debt Administration*

On May 10, 2021, the District issued a General Obligation Note, Series of 2021 for \$13,495,000 to refund the General Obligation Bonds, Series of 2012 for \$2,400,000; General Obligation Note, Series of 2015 for \$4,158,000; General Obligation Note, Series A of 2015 for \$4,169,000 and General Obligation Note, Series of 2019 for \$2,665,000. The District made principal payments of \$3,430,000 on the Series of 2021 note during 2022-23, resulting in debt outstanding of \$6,965,000 at June 30, 2023.

The following schedule provides the outstanding balances of the District's note issue as of June 30, 2023 and 2022.

Outstanding debt

	<u>2023</u>	<u>2022</u>
Note, Series of 2021	<u>\$ 6,965,000</u>	<u>\$ 10,395,000</u>

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

**LOWER DAUPHIN SCHOOL DISTRICT**  
HUMMELSTOWN, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District adopted a \$77,210,000 budget for 2023-24, which is a 4.34% increase compared to the 2022-23 budget with no tax increase.

The District's student population is projected to remain steady each year. Housing developments and apartment complexes are adding to the assessed real estate tax base. Enrollment projections indicate that student enrollment may increase, as well, given that the residential construction is designed for families with children. These enrollment projections are a key factor in the past renovations and additions to the District's facilities.

The revenue budget for the 2023-24 year is \$3,414,000 higher than the revenue budget for 2022-23. This represents a 4.99% increase in budgeted revenues. Local revenues increased \$2,458,970. Current real estate taxes increased \$1,062,139 due to growth in assessed value largely due to new construction of warehouses within the District. Current Act 511 earned income taxes increased \$400,000. State revenue increased by \$1,301,034. Basic education funding increased \$1,032,535; and the special education funding increased \$299,753. As a requirement of the Taxpayer Relief Act, Special Session Act 1 of 2006, the District decreased the local real estate tax revenue and included the state revenue function for the state property tax reduction allocation of \$1,701,924, which is \$3,024 higher than 2022-23. The decrease in the PSERS rate is generating \$60,604 less revenue. Federal/other revenue decreased by \$346,004 primarily due to projects being completed that were included in Elementary and Secondary School Emergency Relief (ESSER) grants.

The expenditures and other financing uses budget for the 2023-24 year is \$3,214,000 higher than the expenditures and other financing uses budget for 2022-23. Factors for this include increases in salaries of \$736,116 and benefit increases of \$771,947. Medical insurance increased \$842,199 and PSERS decreased \$121,208. Tuition to charter schools increased \$150,000, and tuition for students placed outside the District increased \$263,567. Equipment increased \$685,643 primarily for boiler replacements. Debt service transfers increased \$16,695 due to scheduled payments for principal and interest.

**LOWER DAUPHIN SCHOOL DISTRICT**  
**HUMMELSTOWN, PENNSYLVANIA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
(Required Supplementary Information)  
(unaudited)  
YEAR ENDED JUNE 30, 2023

The comparison of revenue and expenditure categories is as follows:

Budgeted revenues				
	2023-24		2022-23	
Local	\$ 43,630,505	60.2 %	\$ 41,171,535	60.9 %
State	24,961,013	34.6	23,659,979	34.7
Federal/other	3,193,482	5.2	3,539,486	4.4
Total	<u>\$ 71,785,000</u>	<u>100.0 %</u>	<u>\$ 68,371,000</u>	<u>100.0 %</u>
Budgeted expenditures and other financing uses				
	2023-24		2022-23	
Instruction	\$ 46,189,256	60.0 %	\$ 44,365,845	61.6 %
Support services	25,905,383	33.2	24,578,438	31.4
Operation of noninstructional services	1,185,524	1.5	1,138,575	1.6
Other financing uses	3,929,837	5.3	3,913,142	5.4
	<u>\$ 77,210,000</u>	<u>100.0 %</u>	<u>\$ 73,996,000</u>	<u>100.0 %</u>

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

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

**LOWER DAUPHIN SCHOOL DISTRICT**

STATEMENT OF NET POSITION (DEFICIT)  
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental activities	Business-type activities	Total
<b>Current assets:</b>			
Cash	\$ 1,595,623	\$ 57,965	\$ 1,653,588
Restricted cash	1,749,042		1,749,042
Investments	17,491,358	770,379	18,261,737
Taxes receivable, net	1,412,917		1,412,917
Due from other governments	4,116,611	28,497	4,145,108
Other receivables, net	299,785		299,785
Inventory	30,000	32,104	62,104
<b>Total current assets</b>	<b>26,695,336</b>	<b>888,945</b>	<b>27,584,281</b>
<b>Noncurrent assets:</b>			
Land	530,467		530,467
Site improvements	9,812,742		9,812,742
Buildings and improvements	100,756,793		100,756,793
Machinery and equipment	21,004,392	1,062,697	22,067,089
Construction in progress	155,517		155,517
Accumulated depreciation	(77,276,934)	(1,062,697)	(78,339,631)
<b>Total capital assets</b>	<b>54,982,977</b>	<b>-</b>	<b>54,982,977</b>
Investments held for capital asset purchases	343,965		343,965
<b>Total noncurrent assets</b>	<b>55,326,942</b>	<b>-</b>	<b>55,326,942</b>
<b>Total assets</b>	<b>82,022,278</b>	<b>888,945</b>	<b>82,911,223</b>
<b>Deferred outflows of resources:</b>			
Pensions	11,702,000		11,702,000
Other postemployment benefits	564,687		564,687
Other postemployment benefits (HIPAP)	234,000		234,000
<b>Total deferred outflows of resources</b>	<b>12,500,687</b>		<b>12,500,687</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 94,522,965</b>	<b>\$ 888,945</b>	<b>\$ 95,411,910</b>

See notes to financial statements.



**LOWER DAUPHIN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION (DEFICIT)  
JUNE 30, 2023**

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

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
<b>Current liabilities:</b>			
Accounts payable	\$ 1,441,260	\$ 58,614	\$ 1,499,874
Current portion of note payable	3,471,000		3,471,000
Accrued:			
Salaries and benefits	6,975,993		6,975,993
Interest	7,240		7,240
Unearned revenue	<u>10,533</u>	<u>62,712</u>	<u>73,245</u>
<b>Total current liabilities</b>	<b><u>11,906,026</u></b>	<b><u>121,326</u></b>	<b><u>12,027,352</u></b>
<b>Noncurrent liabilities:</b>			
Note payable, net	3,494,000		3,494,000
Compensated absences	1,689,483		1,689,483
Net pension liability	83,627,000		83,627,000
Other postemployment benefits	10,175,379		10,175,379
Other postemployment benefits (HIPAP)	<u>3,457,000</u>		<u>3,457,000</u>
<b>Total noncurrent liabilities</b>	<b><u>102,442,862</u></b>		<b><u>102,442,862</u></b>
<b>Total liabilities</b>	<b><u>114,348,888</u></b>	<b><u>121,326</u></b>	<b><u>114,470,214</u></b>
<b>Deferred inflows of resources:</b>			
Deferred charge on refunding	24,487		24,487
Pensions	3,493,000		3,493,000
Other postemployment benefits	3,817,132		3,817,132
Other postemployment benefits (HIPAP)	<u>513,000</u>		<u>513,000</u>
<b>Total deferred inflows of resources</b>	<b><u>7,847,619</u></b>		<b><u>7,847,619</u></b>
<b>Net position (deficit):</b>			
Net investment in capital assets	48,337,455		48,337,455
Restricted	2,093,007		2,093,007
Unrestricted	<u>(78,104,004)</u>	<u>767,619</u>	<u>(77,336,385)</u>
<b>Total net position (deficit)</b>	<b><u>(27,673,542)</u></b>	<b><u>767,619</u></b>	<b><u>(26,905,923)</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 94,522,965</u></b>	<b><u>\$ 888,945</u></b>	<b><u>\$ 95,411,910</u></b>

See notes to financial statements.

**LOWER DAUPHIN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

		Program revenues		Net (expense) revenue and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
<b>Governmental activities:</b>						
Instructional services:						
Regular	\$ 27,272,581		\$ 4,426,001	\$ (22,846,580)		\$ (22,846,580)
Special	11,375,588		4,815,619	(6,559,969)		(6,559,969)
Vocational	2,788,648		197,409	(2,591,239)		(2,591,239)
Other instructional programs	1,094,472		756,991	(337,481)		(337,481)
Community/junior college instructional programs	186,867			(186,867)		(186,867)
Pre-kindergarten	10,609		10,977	368		368
Total instructional services	42,728,765		10,206,997	(32,521,768)		(32,521,768)
Support services:						
Pupil personnel	2,846,124		485,738	(2,360,386)		(2,360,386)
Instructional staff	2,977,604		344,592	(2,633,012)		(2,633,012)
Administration	4,294,843		484,842	(3,810,001)		(3,810,001)
Pupil health	794,050		164,301	(629,749)		(629,749)
Business services	617,845		65,583	(552,262)		(552,262)
Operation of plant and maintenance	6,178,668		562,504	(5,616,164)		(5,616,164)
Student transportation services	2,955,662		1,531,736	(1,423,926)		(1,423,926)
Central	480,311		55,504	(424,807)		(424,807)
Other support services	39,190			(39,190)		(39,190)
Total support services	21,184,297		3,694,800	(17,489,497)		(17,489,497)
Noninstructional services:						
Student activities	1,092,316	\$ 77,359	56,564	(958,393)		(958,393)
Community services	9,645		4,316	(5,329)		(5,329)
Other financing uses, debt service, interest	47,038		766,752	719,714		719,714
Total noninstructional services	1,148,999	77,359	827,632	(244,008)		(244,008)

(continued)

**LOWER DAUPHIN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2023**

	Program revenues			Net (expense) revenue and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Total governmental activities	\$ 65,062,061	\$ 77,359	\$ 14,729,429	\$ (50,255,273)		\$ (50,255,273)
Business-type activities, food service	2,017,252	992,051	1,286,820		\$ 261,619	261,619
Total primary government	\$ 67,079,313	\$ 1,069,410	\$ 16,016,249	(50,255,273)	261,619	(49,993,654)
General revenues:						
Taxes:						
Property, etc.				32,000,994		32,000,994
Other				9,420,168		9,420,168
Grants, subsidies, other nonrestricted				12,642,054		12,642,054
Contributions and donations					6,764	6,764
Interest				911,670	20,500	932,170
Miscellaneous				103,310		103,310
Total general revenues				55,078,196	27,264	55,105,460
Change in net position				4,822,923	288,883	5,111,806
Net position (deficit):						
July 1, 2022				(32,496,465)	478,736	(32,017,729)
June 30, 2023				\$ (27,673,542)	\$ 767,619	\$ (26,905,923)

See notes to financial statements.

# *LOWER DAUPHIN SCHOOL DISTRICT*

## BALANCE SHEET – GOVERNMENTAL FUNDS – JUNE 30, 2023

### ASSETS

	Major fund General Fund	Nonmajor funds	Total governmental funds
<b>Assets:</b>			
Cash	\$ 1,595,623		\$ 1,595,623
Restricted cash		\$ 1,749,042	1,749,042
Investments	17,491,358	343,965	17,835,323
Taxes receivable, net	1,412,917		1,412,917
Due from other governments	4,116,611		4,116,611
Other receivables, net	299,785		299,785
Inventory	30,000		30,000
<b>Total assets</b>	<b>\$ 24,946,294</b>	<b>\$ 2,093,007</b>	<b>\$ 27,039,301</b>

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

<b>Liabilities:</b>			
Accounts payable	\$ 1,441,260		\$ 1,441,260
Accrued salaries and benefits	6,975,993		6,975,993
Unearned revenue	10,533		10,533
<b>Total liabilities</b>	<b>8,427,786</b>		<b>8,427,786</b>
Deferred inflows of resources, unavailable revenue	1,203,683		1,203,683
<b>Fund balances:</b>			
Nonspendable, inventory	30,000		30,000
Restricted		\$ 2,093,007	2,093,007
Committed	7,600,000		7,600,000
Assigned	6,140,471		6,140,471
Unassigned	1,544,354		1,544,354
<b>Total fund balances</b>	<b>15,314,825</b>	<b>2,093,007</b>	<b>17,407,832</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 24,946,294</b>	<b>\$ 2,093,007</b>	<b>\$ 27,039,301</b>

See notes to financial statements.

## LOWER DAUPHIN SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2023

<b>Total fund balances, governmental funds</b>	<b>\$ 17,407,832</b>
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$132,259,911, and the accumulated depreciation is \$77,276,934.	54,982,977
Certain property taxes receivable will be collected subsequent to year end, but are not a current financial resource and, therefore, are unavailable in the funds.	1,203,683
Net pension, net other postemployment benefits and net other postemployment benefits (HIPAP) obligations are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(83,627,000)
Net other postemployment benefits liability	(10,175,379)
Net other postemployment benefits (HIPAP) liability	(3,457,000)
Deferred outflows and inflows of resources related to pensions, other postemployment benefits and other postemployment benefits (HIPAP) are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources:	
Pensions	11,702,000
Other postemployment benefits	564,687
Other postemployment benefits (HIPAP)	234,000
Deferred inflows of resources:	
Pensions	(3,493,000)
Other postemployment benefits	(3,817,132)
Other postemployment benefits (HIPAP)	(513,000)
Government-wide liabilities and related assets are not included in governmental funds as a result of the difference in the measurement focus of accounting:	
Bonds payable	\$ (6,965,000)
Deferral on debt refunding	(24,487)
Accrued interest on the bonds	(7,240)
Compensated absences	(1,689,483)
	<u>(8,686,210)</u>
<b>Total net position (deficit), governmental activities</b>	<b><u>\$ (27,673,542)</u></b>

See notes to financial statements.

**LOWER DAUPHIN SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023

	Major funds		
	General Fund	Debt Service Fund	Nonmajor funds
			Total governmental funds
<b>Revenues:</b>			
Local sources:			
Real estate taxes and penalties	\$ 32,380,266		\$ 32,380,266
Other taxes and penalties	9,420,168		9,420,168
Investment income	881,620		\$ 30,050
Rent	44,165		44,165
Other revenues	1,169,447		1,169,447
Total local sources	43,895,666		30,050
State sources	24,110,811		24,110,811
Federal sources	2,227,729		2,227,729
<b>Total revenues</b>	<b>70,234,206</b>		<b>30,050</b>
<b>Expenditures:</b>			
Current:			
Instruction	43,087,627		43,087,627
Support services	22,892,861		22,892,861
Operation of noninstructional services	1,119,757		1,119,757
Refund of prior year receipts	15,250		15,250
Debt service:			
Principal		\$ 3,430,000	3,430,000
Interest		58,298	58,298
<b>Total expenditures</b>	<b>67,115,495</b>	<b>3,488,298</b>	<b>70,603,793</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,118,711</b>	<b>(3,488,298)</b>	<b>30,050</b>

(continued)

**LOWER DAUPHIN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Major funds			Total governmental funds
	General Fund	Debt Service Fund	Nonmajor funds	
<b>Other financing sources (uses):</b>				
Interfund operating transfers:				
In		\$ 3,488,298		\$ 3,488,298
Out	\$ (3,488,298)			(3,488,298)
<b>Total other financing sources (uses)</b>	<b>(3,488,298)</b>	<b>3,488,298</b>		<b>-</b>
<b>Net change in fund balance</b>	<b>(369,587)</b>	<b>-</b>	<b>\$ 30,050</b>	<b>(339,537)</b>
<b>Fund balance:</b>				
July 1, 2022	15,684,412		2,062,957	17,747,369
<b>June 30, 2023</b>	<b>\$ 15,314,825</b>	<b>\$ -</b>	<b>\$ 2,093,007</b>	<b>\$ 17,407,832</b>

See notes to financial statements.

# ***LOWER DAUPHIN SCHOOL DISTRICT***

## **RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023**

**Total net change in fund balance, governmental funds** **\$ (339,537)**

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 depreciation exceeds capital outlays in the period.

Capital outlays	\$ 1,615,919	
Depreciation	<u>(2,760,569)</u>	(1,144,650)

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

(379,272)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (deficit).

3,430,000

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

Pensions:		
District contributions	9,090,000	
Cost of benefits earned	<u>(5,232,000)</u>	3,858,000

Other postemployment benefits:		
District contributions	564,687	
Cost of benefits earned	<u>(1,001,156)</u>	(436,469)

Other postemployment benefits (HIPAP):		
District contributions	212,000	
Cost of benefits earned	<u>(87,000)</u>	125,000

(continued)



***LOWER DAUPHIN SCHOOL DISTRICT***

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

In the statement of activities, certain operating expenses, such as compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount incurred versus the amount used:			\$	(316,659)
Other:				
Change in accrued interest expense on bonds payable	14,050			
Net amortization of bond refunding and bond premium	12,460			
				26,510
Change in net position of governmental activities			\$	<u><u>4,822,923</u></u>

See notes to financial statements.

***LOWER DAUPHIN SCHOOL DISTRICT***

**STATEMENT OF NET POSITION – PROPRIETARY FUND  
JUNE 30, 2023**

**ASSETS**

	<u>Food Service Fund</u>
<b>Current assets:</b>	
Cash	\$ 57,965
Investments	770,379
Due from other governments	28,497
Inventory	<u>32,104</u>
<b>Total current assets</b>	<b><u>888,945</u></b>
<b>Noncurrent assets:</b>	
Machinery and equipment	1,062,697
Accumulated depreciation	<u>(1,062,697)</u>
<b>Total noncurrent assets</b>	<b><u>-</u></b>
<b>Total assets</b>	<b><u><u>\$ 888,945</u></u></b>

**LIABILITIES AND NET POSITION**

<b>Current liabilities:</b>	
Accounts payable	\$ 58,614
Unearned revenue	<u>62,712</u>
<b>Total liabilities, all current</b>	<b>121,326</b>
<b>Net position, unrestricted</b>	<b><u>767,619</u></b>
<b>Total liabilities and net position</b>	<b><u><u>\$ 888,945</u></u></b>

See notes to financial statements.

***LOWER DAUPHIN SCHOOL DISTRICT***

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (DEFICIT) –  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2023

	Food Service Fund
	<hr/>
Operating revenues, food service revenue	<b>\$ 992,051</b>
	<hr/>
Operating expenses:	
Purchased services, including	
U.S. Department of Agriculture (USDA) donated commodities	2,017,040
Depreciation	212
	<hr/>
Total operating expenses	<b>2,017,252</b>
	<hr/>
Operating loss	<b>(1,025,201)</b>
	<hr/>
Nonoperating revenues:	
Earnings on investments	20,500
Contributions and donations	6,764
State subsidy revenue	145,703
Federal subsidy revenue	963,792
USDA donated commodities	177,325
	<hr/>
Total nonoperating revenues	<b>1,314,084</b>
	<hr/>
Change in net position	<b>288,883</b>
	<hr/>
Total net position:	
July 1, 2022	478,736
	<hr/>
June 30, 2023	<b>\$ 767,619</b>
	<hr/> <hr/>

See notes to financial statements.

**LOWER DAUPHIN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2023**

	<u>Food Service Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from users	\$ 920,963
Cash payments, suppliers for goods and services	<u>(1,843,063)</u>
<b>Net cash used in operating activities</b>	<b><u>(922,100)</u></b>
<b>Cash flows from noncapital financing activities:</b>	
Contributions and donations	6,764
State sources	148,854
Federal sources	<u>1,228,839</u>
<b>Net cash provided by noncapital financing activities</b>	<b><u>1,384,457</u></b>
<b>Cash flows from investing activities:</b>	
Change in investments	(479,932)
Earnings on investments	<u>20,500</u>
<b>Net cash used in investing activities</b>	<b><u>(459,432)</u></b>
<b>Net increase in cash</b>	<b>2,925</b>
<b>Cash:</b>	
Beginning of year	<u>55,040</u>
End of year	<b><u>\$ 57,965</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	<u>\$ (1,025,201)</u>
Adjustments:	
Depreciation	212
Donated commodities	177,325
Decrease in inventories	1,973
(Decrease) in:	
Accounts payable	(5,321)
Unearned revenue	<u>(71,088)</u>
<b>Total adjustments</b>	<b><u>103,101</u></b>
<b>Net cash used in operating activities</b>	<b><u>\$ (922,100)</u></b>

See notes to financial statements.

***LOWER DAUPHIN SCHOOL DISTRICT***

**STATEMENT OF NET POSITION – FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2023**

	<u>Student activities</u>	<u>Private purpose trust</u>	<u>Total fiduciary funds</u>
<b>ASSETS</b>			
<b>Assets:</b>			
Cash	\$ 55,687	\$ 54,124	\$ 109,811
Investments	<u>93,625</u>	<u>90,904</u>	<u>184,529</u>
<b>Total assets</b>	<b><u>\$ 149,312</u></b>	<b><u>\$ 145,028</u></b>	<b><u>\$ 294,340</u></b>
<b>LIABILITIES AND NET POSITION</b>			
<b>Liabilities, accounts payable</b>	\$ 90		\$ 90
<b>Net position:</b>			
Restricted for student groups	149,222		149,222
Held in trust for scholarships	<u></u>	<u>\$ 145,028</u>	<u>145,028</u>
<b>Total liabilities and net position</b>	<b><u>\$ 149,312</u></b>	<b><u>\$ 145,028</u></b>	<b><u>\$ 294,340</u></b>

See notes to financial statements.

***LOWER DAUPHIN SCHOOL DISTRICT***

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2023**

	<u>Student activities</u>	<u>Private purpose trust</u>	<u>Total fiduciary funds</u>
Additions, interest, gifts and contributions	\$ 255,687	\$ 7,592	\$ 263,279
Deductions, student activities and scholarships awarded	<u>(229,468)</u>	<u>(8,718)</u>	<u>(238,186)</u>
<b>Change in net position</b>	<b>26,219</b>	<b>(1,126)</b>	<b>25,093</b>
<b>Net position:</b>			
July 1, 2022	<u>123,003</u>	<u>146,154</u>	<u>269,157</u>
<b>June 30, 2023</b>	<b><u>\$ 149,222</u></b>	<b><u>\$ 145,028</u></b>	<b><u>\$ 294,250</u></b>

See notes to financial statements.

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **1. Nature of organization and significant accounting policies:**

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

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

#### ***Reporting entity:***

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

The District is financially accountable for:

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

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Reporting entity:*

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

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

##### *Basis of presentation, fund accounting and measurement focus:*

##### Basis of presentation:

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

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

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

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



## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Basis of presentation, fund accounting and measurement focus:*

##### Fund accounting:

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

##### Governmental funds:

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

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

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

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

##### Proprietary fund:

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Basis of presentation, fund accounting and measurement focus:*

##### Fiduciary funds:

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

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

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

##### Measurement focus and basis of accounting:

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Basis of presentation, fund accounting and measurement focus:*

##### Revenues, exchange and nonexchange transactions:

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

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

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

##### *Cash and cash equivalents:*

For the purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

##### *Investments:*

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

##### *Taxes receivable, due from other governments and other receivables:*

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

##### *Due from other funds and due to other funds:*

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

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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

##### *Inventories:*

Inventories in the Food Service Fund include government donated commodities, which were valued at fair value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2023 are reported as unearned revenue.

##### *Capital assets:*

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40 to 50
Building improvements	20
Site improvements	15
Machinery and equipment	5 to 15

##### *Long-term obligations:*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental statements. All long-term items are expected to be satisfied utilizing governmental funds. Bond and note premiums and discounts are deferred and amortized over the life of the bonds or note using the straight-line method.

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Long-term obligations:*

Changes in premiums and discounts are reported as part of long-term debt. Bond issuance costs are generally expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts as revenues or expenditures during the current period.

##### *Pension and other postemployment benefit (HIPAP) plans:*

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

Substantially all full-time and part-time employees of the District participate in a cost-sharing multiple-employer defined benefit pension plan and other postemployment benefit plan for healthcare insurance premium assistance program (HIPAP) through Public School Employees' Retirement System (PSERS or the System). On the governmental fund financial statements, the District recognizes annual pension and other postemployment benefits (HIPAP) expenditures or expenses equal to its contractually required contributions. For the fiscal year ended June 30, 2023, the rate of employer contribution was 35.26%. The 35.26% rate is composed of a contribution rate of 34.31% for pension benefits, 0.75% for healthcare insurance premium assistance and 0.20% for defined contribution costs. The District is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. Such payments are recorded in the General Fund as state source revenues. In the government-wide financial statements, payments are allocated based on function. The District made all required contributions for the year ended June 30, 2023 and has recognized them as expenditures or expenses.

##### *Compensated absences:*

The School District allows employees to accumulate an unlimited amount of sick leave. Upon retirement or termination, the employee would be paid a certain amount, according to their contract, for these accumulated sick days. Earned vacation time is generally required to be used within one year of accrual.

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Deferred outflows and inflows of resources:*

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

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Deferred outflows and inflows of resources:*

The third item related to a deferred charge on refunding, results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In the fund financial statements, governmental fund types recognize the deferred charge on refunding as an expense during the current year.

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

##### *Fund balance classification:*

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

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

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Fund balance classification:*

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

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

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

##### *Donations:*

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

##### *Use of estimates:*

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



## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *New accounting pronouncements adopted:*

The following summarizes GASB Statements implemented by the District during the year ended June 30, 2023, and the relating effects on the financial statements presentation and disclosure, as applicable:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The District adopted GASB Statement No. 91 for its June 30, 2023 financial statements.

In January 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements (PPPs). The District adopted GASB Statement No. 94 for its June 30, 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The District adopted GASB Statement No. 96 for its June 30, 2023 financial statements.

In May 2020, the GASB issued Statement No. 99, *Omnibus 2022*. The Statement's objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The District adopted GASB Statement No. 99 for its June 30, 2023 financial statements.

##### *Pending GASB pronouncements:*

The GASB has issued several pronouncements prior to the year ended June 30, 2023 and through the date the financial statements were available to be issued that have effective dates that may impact future financial presentations:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The Statement's objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The District will be required to adopt GASB Statement No. 100 for its year ended June 30, 2024 financial statements.

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

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

##### *Pending GASB pronouncements:*

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The Statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District will be required to adopt GASB Statement No. 101 for its year ended June 30, 2025 financial statements.

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

#### **2. Deposits and investments:**

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

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

##### *Custodial credit risk, deposits:*

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 does not have a policy for custodial credit risk. As of June 30, 2023, \$3,418,107 of the District's bank balance of \$3,788,438 was exposed to custodial credit risk, but was collateralized by the pledging bank's trust department in accordance with Act 72.

***LOWER DAUPHIN SCHOOL DISTRICT***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**2. Deposits and investments (continued):**

*Custodial credit risk, deposits:*

The reconciliation of deposits to the financial statements is as follows:

Bank accounts, uninsured	\$ 3,418,107
Insured by Federal Depository Insurance	370,331
Outstanding checks	<u>(275,997)</u>
Total	<u><u>\$ 3,512,441</u></u>
Governmental activities	\$ 1,595,623
Governmental activities, restricted	1,749,042
Business-type activities	57,965
Fiduciary fund deposits not included in government-wide statements	<u>109,811</u>
	<u><u>\$ 3,512,441</u></u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral security that is in the possession of an outside party.

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 2. Deposits and investments (continued):

##### *Custodial credit risk, deposits:*

As of June 30, 2023, the District had the following investments:

Investment	Maturities	Ratings	Fair value
Pennsylvania Local Government Investment Trust (PLGIT)	Demand	AAAm	\$ 12,818,997
Pennsylvania Treasurer's INVEST Program	Demand	AAA	343,965
Mid Penn Bank demand deposit account	Demand	(a)	5,536,365
Certificate of deposit	4/25/2024	FDIC insured	90,904
Total			<u>\$ 18,790,231</u>
Reconciliation of investments to the financial statements is as follows:			
Governmental activities			\$ 17,835,323
Business-type activities			770,379
Fiduciary fund investments not included in government-wide statements			<u>184,529</u>
			<u>\$ 18,790,231</u>

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

##### *Interest rate risk:*

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

##### *Concentration of credit risk:*

The District places no limit on the amounts invested in any one issuer. The District's investments in PLGIT represent 68.4% of the District's total investments as of June 30, 2023.

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **2. Deposits and investments (continued):**

##### *Concentration of credit risk:*

The District has investments with PLGIT. PLGIT (the Fund) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the Fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the Fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949 as amended. The Fund is governed by elected boards of trustees who are responsible for the overall management of the Fund. The trustees are elected from the several classes of local governments participating in the Fund. Each fund is audited annually by independent auditors. The Fund operates in a manner consistent with the Securities and Exchange Commission's Rule 2(a)7 of the Investment Company Act of 1940. The Fund uses amortized cost to report net position to compute share prices. The Fund maintains a net asset value of \$1 per share. Accordingly, the fair value of the position in the Fund is the same as the value of the Fund's shares.

The District is invested in PLGIT - Class shares, which require no minimum balance, no minimum initial investment and have a one-day minimum investment period. At June 30, 2023, PLGIT carried an AAAM rating and had an average maturity of less than one year.

#### **3. Real estate taxes:**

Based upon assessments provided by the County, the School District's tax collectors bill and collect property taxes. The School District tax rate for the year ended June 30, 2023 was 18.97 mills (\$18.97 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

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

**LOWER DAUPHIN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**4. Taxes receivable and unavailable revenue, General Fund:**

A summary of the taxes receivable and related accounts follows:

	<u>Taxes receivable</u>	<u>Collections received within 60 days recognized as revenue in the General Fund</u>	<u>General Fund unavailable revenue</u>
Real estate	\$ 705,068	\$ 104,073	\$ 600,995
Per capita and occupational privilege tax	<u>707,849</u>	<u>105,161</u>	<u>602,688</u>
	<u>\$ 1,412,917</u>	<u>\$ 209,234</u>	<u>\$ 1,203,683</u>

**5. Interfund activity:**

The District transfers resources from different funds to and from the General Fund to support the general operations of the District. Interfund transfers for the year ended June 30, 2023 were as follows:

<u>Transfers to</u>	<u>Transfers from General Fund</u>
Debt Service Fund for debt service	<u>\$ 3,488,298</u>

**6. Due from other governments:**

The following amounts were due from other governmental units:

	<u>General Fund</u>
Federal programs	\$ 837,005
State subsidies:	
Social Security	354,767
Retirement	1,712,824
Other	76,994
Local governmental units	<u>1,135,021</u>
	<u>\$ 4,116,611</u>

*LOWER DAUPHIN SCHOOL DISTRICT*

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

7. Unearned revenue:

Unearned revenues at June 30, 2023 consisted of the following:

	<u>General Fund</u>	<u>Cafeteria Fund</u>
Elementary and secondary school emergency relief fund grant (ARP ESSER learning loss)	\$ 10,533	
Commodities inventory		\$ 2,741
Unearned revenue, other		59,971
	<u>\$ 10,533</u>	<u>\$ 62,712</u>

# *LOWER DAUPHIN SCHOOL DISTRICT*

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

### 8. Capital assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 530,467			\$ 530,467
Construction in progress		\$ 155,517		155,517
Total assets not being depreciated	530,467	155,517		685,984
Capital assets being depreciated:				
Site improvements	9,759,770	52,972		9,812,742
Buildings and building improvements	100,720,088	36,705		100,756,793
Machinery and equipment	19,653,682	1,370,725	\$ (20,015)	21,004,392
Total assets being depreciated	130,133,540	1,460,402	(20,015)	131,573,927
Less accumulated depreciation for:				
Site improvements	6,313,899	342,889		6,656,788
Buildings and building improvements	52,038,049	2,086,056		54,124,105
Machinery and equipment	16,184,432	331,624	(20,015)	16,496,041
Total accumulated depreciation	74,536,380	2,760,569	(20,015)	77,276,934
Total capital assets being depreciated, net	55,597,160	(1,300,167)	-	54,296,993
Governmental activities, capital assets, net	\$ 56,127,627	\$ (1,144,650)	\$ -	\$ 54,982,977



# *LOWER DAUPHIN SCHOOL DISTRICT*

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

### 8. Capital assets (continued):

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets being depreciated, equipment	\$ 1,062,697			\$ 1,062,697
Less accumulated depreciation for equipment	1,062,485	\$ 212		1,062,697
Business-type activities, capital assets, net	<u>\$ 212</u>	<u>\$ (212)</u>		<u>\$ -</u>

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

	Instruction	Support services	Non- instructional	Total
Regular instruction	\$ 1,380,934			\$ 1,380,934
Special instruction	474,548			474,548
Vocational instruction	90,591			90,591
Other instructional programs	60,109			60,109
Pre-kindergarten	721			721
Pupil personnel		\$ 148,658		148,658
Instructional staff		84,603		84,603
Administration		222,495		222,495
Pupil health		45,581		45,581
Business services		30,096		30,096
Operation of plant and maintenance		157,381		157,381
Student transportation services		12,999		12,999
Central		25,471		25,471
Student activities			\$ 25,957	25,957
Community services			425	425
	<u>\$ 2,006,903</u>	<u>\$ 727,284</u>	<u>\$ 26,382</u>	<u>\$ 2,760,569</u>

# **LOWER DAUPHIN SCHOOL DISTRICT**

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

### **9. Long-term debt:**

The following is a summary of the general obligation note payable outstanding at June 30, 2023:

<u>Year</u>	<u>Amount</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>Annual principal installments ranging from</u>
Note series of 2021	<u>\$ 6,965,000</u>	0.70%	2025	\$3,471,000 to \$3,494,000

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

The following is a summary of debt transactions of the District for the year ended June 30, 2023:

Bonds and notes payable at July 1, 2022	\$ 10,395,000
Notes principal paid, Series of 2021	<u>(3,430,000)</u>
	6,965,000
Less current portion of note payable	<u>3,471,000</u>
Long-term portion of note payable	<u><u>\$ 3,494,000</u></u>

The debt service requirements are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,471,000	\$ 36,837	\$ 3,507,837
2025	<u>3,494,000</u>	<u>12,306</u>	<u>3,506,306</u>
	<u><u>\$ 6,965,000</u></u>	<u><u>\$ 49,143</u></u>	<u><u>\$ 7,014,143</u></u>

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **10. Defined benefit pension plan:**

##### *Plan description:*

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by PSERS. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

##### *Benefits provided:*

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

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

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **10. Defined benefit pension plan (continued):**

##### *Benefits provided:*

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

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

##### *Member contributions:*

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

##### *Employer contribution:*

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$9,090,000 for the year ended June 30, 2023.

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **10. Defined benefit pension plan (continued):**

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

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

At June 30, 2023, the District reported a liability of \$83,627,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2021 to June 30, 2022. There were no events during the period June 30, 2022 to June 30, 2023 that affect the measurement of the net pension liability results. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was .1881%, which was a decrease of .0045% from its proportion measured as of June 30, 2021.

# **LOWER DAUPHIN SCHOOL DISTRICT**

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

### **10. Defined benefit pension plan (continued):**

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

For the year ended June 30, 2023, the District recognized pension expense of \$5,232,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumption	\$ 2,497,000	
Net difference between projected and actual earnings on pension plan investment		\$ 1,419,000
Differences between expected and actual experience		685,000
Net changes in proportion		1,389,000
Net difference between District actual contributions and the calculated portion determined by PSERS	115,000	
District contributions subsequent to the measurement date	9,090,000	
	<u>\$ 11,702,000</u>	<u>\$ 3,493,000</u>

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 10. Defined benefit pension plan (continued):

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

For the year ended June 30, 2023, \$9,090,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the valuation year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan year ended June 30,</u>	
2023	\$ 14,000
2024	(195,000)
2025	(2,672,000)
2026	<u>1,972,000</u>
Total	<u><u>\$ (881,000)</u></u>

#### Actuarial assumptions:

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

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

Investment return: 7.00%, includes inflation of 2.75%

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2021.

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Defined benefit pension plan (continued):

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

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

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

The PSERS board adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 are as follows:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global public equity	28.0 %	5.3 %
Private equity	12.0	8.0
Fixed income	33.0	2.3
Commodities	9.0	2.3
Infrastructure/MLPs	9.0	5.4
Real estate	11.0	4.6
Absolute return	6.0	3.5
Cash	3.0	0.5
Leverage	(11.0)	0.5
	<u>100.0 %</u>	



## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 10. Defined benefit pension plan (continued):

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

##### Discount rate:

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

##### Sensitivity of the District's proportionate share:

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

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 108,166,000	\$ 83,627,000	\$ 62,938,000

##### Pension plan fiduciary net position:

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

#### 11. Other postemployment benefits:

##### *Postemployment benefits other than pension (OPEB):*

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

## *LOWER DAUPHIN SCHOOL DISTRICT*

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

##### *Plan description:*

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

##### Administrators:

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

##### Teachers:

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

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

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **11. Other postemployment benefits (continued):**

##### *Plan description:*

##### Teachers:

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

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

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

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **11. Other postemployment benefits (continued):**

##### *Plan description:*

##### Teachers:

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

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

##### Support staff:

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

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

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

***LOWER DAUPHIN SCHOOL DISTRICT***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**11. Other postemployment benefits (continued):**

*Plan description:*

Support staff:

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

*Employees covered by benefit terms:*

At July 1, 2022, the following employees were covered by benefit terms:

	<u>Support staff</u>	<u>Administrators and teachers</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	9	33	42
Active employees	<u>131</u>	<u>320</u>	<u>451</u>
Total	<u><u>140</u></u>	<u><u>353</u></u>	<u><u>493</u></u>

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

##### *Total OPEB liability and actuarial assumptions:*

The District's total OPEB liability of \$10,175,379 was measured as of June 30, 2022 using the July 1, 2022 actuarial valuation. The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate:	4.06% based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2022.
Salary increases:	2.50% cost of living adjustment, 1.5% real wage growth and merit increases which varies by age from 2.75% to 0%.
Healthcare cost trend rates:	6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Retiree contributions:	Retiree contributions are assumed to increase at the same rate as the Healthcare Cost Trend Rate.
Mortality rates:	Mortality rates were based on the Scale MP-2021 scale to reflect mortality improvement.

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

# **LOWER DAUPHIN SCHOOL DISTRICT**

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

### **11. Other postemployment benefits (continued):**

#### *Changes in the total OPEB Liability:*

Balance at July 1, 2021	\$ 14,376,585
Changes for the year:	
Service cost	988,302
Interest	344,605
Difference between expected and actual experience	(2,532,626)
Changes in assumptions	(2,538,776)
Benefit payments	(462,711)
Net changes	(4,201,206)
Balance at June 30, 2022	\$ 10,175,379

Changes in assumptions reflect a change in the discount rate from 2.28% in 2021 to 4.06% in 2022. The trend assumptions for salary, mortality, withdrawal and retirement were updated based on the new PSERS assumptions.

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

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

	1% Decrease 3.06%	Current discount rate 4.06%	1% Increase 5.06%
District's total OPEB liability	\$ 10,920,164	\$ 10,175,379	\$ 9,469,939

# **LOWER DAUPHIN SCHOOL DISTRICT**

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

### **11. Other postemployment benefits (continued):**

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

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

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
District's total OPEB liability	\$ 9,213,798	\$ 10,175,379	\$ 11,302,143

#### *OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:*

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,001,156. At June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in assumption		\$ 1,692,126
Differences between expected and actual experience		2,125,006
District benefit payments subsequent to the measurement date	\$ 564,687	
	<u>\$ 564,687</u>	<u>\$ 3,817,132</u>



## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

*OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:*

For the year ended June 30, 2023, \$564,687 was reported as deferred outflows of resources related to OPEB resulting from District benefit payments made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the valuation year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ended June 30,	
2023	\$ (331,751)
2024	(331,751)
2025	(331,751)
2026	(331,751)
2027	(331,751)
thereafter	<u>(2,158,377)</u>
Total	<u><u>\$(3,817,132)</u></u>

*Health Insurance Premium Assistance Program (HIPAP):*

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

PSERS provides Premium Assistance which, is a governmental cost-sharing, multiple-employer HIPAP plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

## ***LOWER DAUPHIN SCHOOL DISTRICT***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023**

#### **11. Other postemployment benefits (continued):**

##### *Premium assistance eligibility criteria:*

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

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

##### *Benefits provided:*

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' HOP. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

##### *Employer contributions:*

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$212,000 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$3,457,000 for its proportionate share of the net HIPAP liability. The net HIPAP liability was measured as of June 30, 2022, and the total HIPAP liability used to calculate the net HIPAP liability was determined by rolling forward PSERS's total HIPAP liability as of June 30, 2021 to June 30, 2022. There were no events during the period June 30, 2022 to June 30, 2023 that affect the measurement of the net HIPAP liability results. The District's proportion of the net HIPAP liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .1878%, which was a decrease of .0045% from its proportion measured as of June 30, 2021.

**LOWER DAUPHIN SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023**

**11. Other postemployment benefits (continued):**

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

For the year ended June 30, 2023, the District recognized HIPAP expense of \$87,000. At June 30, 2023, the District reported deferred outflows of resources related to HIPAP from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change in assumptions		\$ 432,000
Net difference between projected and actual investment earnings	\$ 9,000	
Differences between expected and actual experience	13,000	
Changes in proportion		80,000
Net difference between District actual contributions and the calculated portion determined by PSERS		1,000
Contributions subsequent to the measurement date	212,000	
	<u>\$ 234,000</u>	<u>\$ 513,000</u>

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

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

Deferred outflows of resources related to HIPAP of \$212,000 were reported as resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net HIPAP liability for the valuation year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to HIPAP will be recognized in HIPAP expense as follows:

Plan year ended June 30,	
2023	\$ (103,000)
2024	(75,000)
2025	(94,000)
2026	(101,000)
2027	<u>(118,000)</u>
Total	<u><u>\$ (491,000)</u></u>

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

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

##### Actuarial assumptions:

The total HIPAP liability as of June 30, 2022, was determined by rolling forward PSERS's total HIPAP liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry age normal - level percentage of pay.
Investment return:	4.09% - S&P 20-Year Municipal Bond Rate.
Salary growth:	Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Premium assistance:	Reimbursement is capped at \$1,200 per year.
Assumed healthcare:	Cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
Mortality rates:	Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
Participation rate:	Eligible retirees will elect to participate pre age 65 at 50%. Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2021.

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

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

##### Actuarial assumptions:

The following assumptions were used to determine the contribution rate:

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

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

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

<u>HIPAP - Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	<u>100.0 %</u>	0.5 %

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

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

##### Discount rate:

The discount rate used to measure the total HIPAP liability was 4.09%. 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 HIPAP 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 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total HIPAP liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2023, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the District's proportionate share of the net HIPAP liability for June 30, 2022, calculated using current healthcare cost trends, as well as what the net HIPAP liability would be if healthcare cost trends were 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
District's proportionate share of net HIPAP liability	\$ 3,457,000	\$ 3,457,000	\$ 3,457,000

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 11. Other postemployment benefits (continued):

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

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

The following presents the District's proportionate share of the net HIPAP liability, calculated using the discount rate of 4.09%, as well as what the net HIPAP liability would be if it were calculated using a discount rate that is 1% lower (3.09%) or 1% higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current discount rate 4.09%	1% Increase 5.09%
District's proportionate share of the net HIPAP liability	\$ 3,909,000	\$ 3,457,000	\$ 3,078,000

##### HIPAP plan fiduciary net position:

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

#### 12. Joint ventures:

Harrisburg Area Community College (HACC) provides two years of undergraduate education to students. Students residing in participating districts are required to only pay approximately a third of tuition costs, with the School District paying a third and the Commonwealth paying a third. In 2011, the District adopted a resolution to continue sponsorship of the HAAC program in a less burdensome and more predictable amount, which set the cost maximum at 70% of the total dollars paid. For the year ended June 30, 2023, the District paid HACC \$186,867 for tuition. The District had also paid HACC a capital outlay based on property value to be used for facility improvements through June 30, 2020. The capital outlay payment was eliminated from the agreement for 2020-2021 and 2021-2022. The District adopted a new resolution to continue sponsorship in March 2017, commencing with the start of the 2017-2018 fiscal year through the 2021-2022 fiscal year. In April 2022, the District adopted a new resolution to continue sponsorship through the 2026-2027 fiscal year. As part of continuing the sponsorship, the District has committed to tuition payments of \$186,867 during the year ended June 30, 2023 with the amount increasing 2.5% for the next four years.



## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 12. Joint ventures (continued):

The Dauphin County Technical School (DCTS) provides vocational education to students of participating districts. Tuition is paid to DCTS based on the number of students attending the school. The District is also responsible for its share of debt service for DCTS. During the year ended June 30, 2015, DCTS issued the Series of 2015 Bond for \$19,405,000, which refunded the Series of 2007 Bond, of which the District's share is approximately \$2,567,576. Approximately 28% of the principal and interest payments to be made by the District will be eligible for reimbursement from the Pennsylvania Department of Education. For the year ended June 30, 2023, the District paid to DCTS \$968,622 for tuition and \$215,933 for debt service. The District also received a refund from DCTS of \$58,407 due to a surplus from the year ended June 30, 2022 being distributed to participating districts.

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

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

<u>Year ending June 30,</u>	<u>DCTS</u>
2024	\$ 231,380
2025	232,140
2026	231,740
2027	232,193
2028	231,485
2029-2031	<u>695,063</u>
	<u><u>\$ 1,854,001</u></u>

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

## LOWER DAUPHIN SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

#### 13. Participation in risk sharing pool:

##### *Workers' compensation:*

The District is a participant in a risk sharing pool to provide workers' compensation coverage. The expense for this coverage was \$83,412, comprised of a self-insured retention of \$9,927 and a contribution to the Central Fund of \$73,485. Actual claims during the year are paid out of the self-insured retention first. Claims that exceed the self-insured retention are satisfied by the Central Fund. The Central Fund maintains excess insurance to cover any claims that exceed \$500,000 per accident. There are approximately 75 districts participating in the pool. Each member owns a proportion of the pool based upon the funds deposited by each member over the preceding 12 months. If there is a deficiency in the pooled funds, each member is assessed an amount equal to their proportional share as described above. Upon withdrawal by an individual member from the pool, the terminating member has no rights to funds in the pool. As of June 30, 2023, the District is not aware of any additional assessments relating to the Central Fund.

##### *Medical:*

The District maintains a self-insured medical benefit plan. Under this program, the District pays varying amounts of reasonable and customary healthcare expenses. For the year ended June 30, 2023, the District was limited in liability for claims to \$185,000 per individual. Actual claims paid for the year ended June 30, 2023 were \$7,940,661. The District estimates its unpaid claims based on estimates of the liabilities for claims incurred. Estimated claims for medical expenses incurred from July 1, 2022 to June 30, 2023, which were processed after June 30, 2023, totaled \$1,049,838 and have been reflected in accrued salaries and benefits. Changes in the School District's claims liability were as follows:

	<u>Beginning of year liability</u>	<u>Estimated claims</u>	<u>Claims paid</u>	<u>End of year liability</u>
2021-2022	\$ 1,007,162	\$ 6,618,123	\$ 6,822,578	\$ 802,707
2022-2023	802,707	8,187,792	7,940,661	1,049,838

##### *Other risks:*

The School District is exposed to various risks of loss related to theft and destruction of assets, errors and omissions, natural disasters and other potential risks of loss. The School District has generally purchased insurance to safeguard its assets from risk of loss. During the year ended June 30, 2023 and the two previous fiscal years, no settlements significantly exceeded insurance coverage.

# ***LOWER DAUPHIN SCHOOL DISTRICT***

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

### **14. Fund balances:**

At June 30, 2023, the School District has the following fund balances:

	General Fund	Nonmajor Funds	Total governmental funds
Nonspendable, inventory	\$ 30,000		\$ 30,000
Restricted:			
Capital reserve		\$ 1,745,493	1,745,493
Capital contingency		347,514	347,514
		<u>2,093,007</u>	<u>2,093,007</u>
Committed:			
Buildings and grounds	2,000,000		2,000,000
Fuel, electricity and/or employee benefit increases	<u>5,600,000</u>		<u>5,600,000</u>
	<u>7,600,000</u>		<u>7,600,000</u>
Assigned:			
DCTS - from Harrisburg School District buy-in	715,471		715,471
Projected operating deficit	<u>5,425,000</u>		<u>5,425,000</u>
	<u>6,140,471</u>		<u>6,140,471</u>
Unassigned	<u>1,544,354</u>		<u>1,544,354</u>
	<u>\$ 15,314,825</u>	<u>\$ 2,093,007</u>	<u>\$ 17,407,832</u>

### **15. Commitments:**

The District is party to an agreement with H.E. Rohrer, Inc. (Rohrer) for the transportation of students residing within the District whereby the District will pay Rohrer an amount each year calculated pursuant to the Commonwealth reimbursement formula for contractor-provided transportation. This agreement expires on June 30, 2024. For the year ended June 30, 2023, the District incurred expenditures of \$2,719,504 to Rohrer for transportation services.

*LOWER DAUPHIN SCHOOL DISTRICT*

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**16. Subsequent events:**

The District has evaluated subsequent events through November 17, 2023, the date that the financial statements were available to be issued.

***LOWER DAUPHIN SCHOOL DISTRICT***

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

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.1881%	0.1926%	0.1927%	0.1911%	0.1939%	0.1925%	0.1918%	0.1912%
District's proportionate share of the net pension liability	\$ 83,627,000	\$ 79,075,000	\$ 94,884,000	\$ 89,402,000	\$ 93,082,000	\$ 95,073,000	\$ 95,050,000	\$ 82,818,000
District's covered-employee payroll	\$ 27,613,743	\$ 27,262,253	\$ 27,017,556	\$ 26,353,067	\$ 26,106,739	\$ 25,622,816	\$ 24,837,335	\$ 24,595,060
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.85%	290.05%	351.19%	339.25%	356.54%	371.05%	382.69%	336.73%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%

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

***LOWER DAUPHIN SCHOOL DISTRICT***

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

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,374,537	\$ 9,152,660	\$ 9,003,487	\$ 8,558,000	\$ 8,228,000	\$ 7,363,000	\$ 6,102,000	\$ 4,937,000
Contributions in relation to the contractually required contribution	9,419,000	9,180,000	9,023,000	8,572,000	8,244,000	7,415,000	6,141,000	4,976,000
Contribution excess	<u>\$ (44,463)</u>	<u>\$ (27,340)</u>	<u>\$ (19,513)</u>	<u>\$ (14,000)</u>	<u>\$ (16,000)</u>	<u>\$ (52,000)</u>	<u>\$ (39,000)</u>	<u>\$ (39,000)</u>
District's covered payroll	\$ 27,613,743	\$ 27,262,253	\$ 27,017,556	\$ 26,353,067	\$ 26,106,739	\$ 25,622,816	\$ 24,837,335	\$ 24,595,060
Contributions as a percentage of covered-employee payroll	34.11%	33.67%	33.40%	32.53%	31.58%	28.94%	24.72%	20.23%

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

# **LOWER DAUPHIN SCHOOL DISTRICT**

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

	2022	2021	2020	2019	2018	2017
Total other postemployment benefit (OPEB) liability:						
Service cost	\$ 988,302	\$ 1,001,009	\$ 621,781	\$ 621,419	\$ 721,345	\$ 725,418
Interest	344,605	275,130	356,568	316,095	399,567	308,695
Change of benefit terms					(599,818)	
Difference between expected and actual experience	(2,532,626)		1,860,681		(1,980,046)	
Changes in assumptions	(2,538,776)	(443,133)	1,538,098	(292,837)	65,613	10,255
Benefit payments	(462,711)	(539,747)	(620,048)	(663,839)	(666,836)	(678,103)
Net changes in total OPEB liability	(4,201,206)	293,259	3,757,080	(19,162)	(2,060,175)	366,265
Total OPEB liability, beginning	14,376,585	14,083,326	10,326,246	10,345,408	12,405,583	12,039,318
Total OPEB liability, ending	<u>\$ 10,175,379</u>	<u>\$ 14,376,585</u>	<u>\$ 14,083,326</u>	<u>\$ 10,326,246</u>	<u>\$ 10,345,408</u>	<u>\$ 12,405,583</u>
Covered-employee payroll	\$ 25,736,668	\$ 26,207,679	\$ 26,207,679	\$ 24,066,245	\$ 24,066,245	\$ 23,262,911
Total OPEB liability as a percentage of covered-employee payroll	39.54%	54.86%	53.74%	42.91%	42.99%	53.33%

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

### Note to schedule:

#### *Changes in assumptions:*

The discount rate changed from 1.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS experience study. The teachers' marriage assumption decreased from 65% to 50%.

***LOWER DAUPHIN SCHOOL DISTRICT***

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB (HIPAP) liability	0.1878%	0.1923%	0.1925%	0.1911%	0.1939%	0.1925%
District's proportionate share of the net OPEB (HIPAP) liability	\$ 3,457,000	\$ 4,558,000	\$ 4,159,000	\$ 4,064,000	\$ 4,043,000	\$ 3,922,000
District's covered-employee payroll	\$ 27,613,743	\$ 27,262,253	\$ 27,017,556	\$ 26,353,067	\$ 26,106,739	\$ 25,622,816
District's proportionate share of the net OPEB (HIPAP) liability as a percentage of its covered-employee payroll	12.52%	16.72%	15.39%	15.42%	15.49%	15.31%
Plan fiduciary net position as a percentage of the total OPEB (HIPAP) liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

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



***LOWER DAUPHIN SCHOOL DISTRICT***

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

	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 219,000	\$ 224,000	\$ 227,000	\$ 219,000	\$ 217,000	\$ 213,000
Contributions in relation to the contractually required contribution	221,000	224,000	227,000	219,000	217,000	213,000
Contribution deficiency (excess)	\$ (2,000)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 27,613,743	\$ 27,262,253	\$ 27,017,556	\$ 26,353,067	\$ 26,106,739	\$ 25,622,816
Contributions as a percentage of covered-employee payroll	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%

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

**LOWER DAUPHIN SCHOOL DISTRICT**

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

(Required supplementary information)

(unaudited)

YEAR ENDED JUNE 30, 2023

(See independent auditor's report)

	Budgeted amounts		Actual	Variance with
	Original	Final	budgetary	final budget
			activities	positive
				(negative)
<b>Revenues:</b>				
Local sources:				
Real estate taxes and penalties	\$ 31,528,811	\$ 31,528,811	\$ 32,380,266	\$ 851,455
Other taxes and penalties	8,293,925	8,293,925	9,420,168	1,126,243
Investment income	50,000	50,000	881,620	831,620
Rent	85,000	85,000	44,165	(40,835)
Other revenue	1,262,156	1,262,156	1,169,447	(92,709)
Total local sources	41,219,892	41,219,892	43,895,666	2,675,774
State sources	23,659,979	23,659,979	24,110,811	450,832
Federal sources	3,491,129	3,491,129	2,227,729	(1,263,400)
<b>Total revenues</b>	<b>68,371,000</b>	<b>68,371,000</b>	<b>70,234,206</b>	<b>1,863,206</b>
<b>Expenditures:</b>				
Instruction:				
Regular programs	27,563,989	27,563,989	27,507,338	56,651
Special programs	12,441,174	12,441,174	11,468,012	973,162
Vocational programs	2,885,813	2,885,813	2,809,988	75,825
Other instructional programs	1,266,565	1,266,565	1,104,691	161,874
Community/junior college programs	186,867	186,867	186,867	-
Pre-kindergarten	21,437	21,437	10,731	10,706
	44,365,845	44,365,845	43,087,627	1,278,218

(continued)

**LOWER DAUPHIN SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

(Required supplementary information)

(unaudited)

YEAR ENDED JUNE 30, 2023

(See independent auditor's report)

	Budgeted amounts		Actual	Variance with
	Original	Final	budgetary	final budget
			activities	positive
				(negative)
<b>Expenditures (continued):</b>				
Support services:				
Pupil personnel services	\$ 2,857,029	\$ 2,892,429	\$ 2,871,396	\$ 21,033
Instructional staff services	3,548,149	3,548,149	3,044,070	504,079
Administrative services	4,415,865	4,415,865	4,332,668	83,197
Pupil health	828,639	828,639	809,969	18,670
Business services	636,714	636,714	622,963	13,751
Operation and maintenance				
of plant services	8,512,059	8,512,059	7,730,091	781,968
Student transportation services	3,247,017	3,247,017	2,957,873	289,144
Central	492,260	492,260	484,641	7,619
Other support services	40,706	40,706	39,190	1,516
	<u>24,578,438</u>	<u>24,613,838</u>	<u>22,892,861</u>	<u>1,720,977</u>
Operation of noninstructional services:				
Student activities	1,118,783	1,118,783	1,110,040	8,743
Community services	19,792	19,792	9,717	10,075
	<u>1,138,575</u>	<u>1,138,575</u>	<u>1,119,757</u>	<u>18,818</u>
Debt service	<u>22,000</u>	<u>22,000</u>	<u>15,250</u>	<u>6,750</u>
<b>Total expenditures</b>	<u>70,104,858</u>	<u>70,140,258</u>	<u>67,115,495</u>	<u>3,024,763</u>
<b>Excess (deficiency) of revenues</b>				
<b>over expenditures</b>	<u>(1,733,858)</u>	<u>(1,769,258)</u>	<u>3,118,711</u>	<u>4,887,969</u>

(continued)

**LOWER DAUPHIN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

(Required supplementary information)

(unaudited)

YEAR ENDED JUNE 30, 2023

(See independent auditor's report)

	Budgeted amounts		Actual	Variance with
	Original	Final	budgetary	final budget
			activities	positive
				(negative)
<b>Other financing uses:</b>				
Interfund operating transfers out	\$ 3,491,142	\$ 3,491,142	\$ 3,488,298	\$ 2,844
Budgetary reserve	400,000	364,600		364,600
<b>Total other financing uses</b>	<b>3,891,142</b>	<b>3,855,742</b>	<b>3,488,298</b>	<b>367,444</b>
<b>Net change in fund balance</b>	<b>\$ (5,625,000)</b>	<b>\$ (5,625,000)</b>	<b>(369,587)</b>	<b>\$ 5,255,413</b>
<b>Fund balance:</b>				
July 1, 2022			15,684,412	
June 30, 2023			<b>\$ 15,314,825</b>	

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

## *LOWER DAUPHIN SCHOOL DISTRICT*

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

(Required supplementary information)

(unaudited)

YEAR ENDED JUNE 30, 2023

(See independent auditor's report)

#### **Budgetary data:**

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

1. Prior to May 31, management submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund, which in the 2022-2023 school year includes the Athletic Fund.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the procedures require the budget to be legally enacted.
4. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the board. Budgetary information is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
5. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances at June 30, 2023.
7. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles for fund accounting except that a budgetary reserve is provided.

***LOWER DAUPHIN SCHOOL DISTRICT***

**COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2023**

**(See independent auditor's report)**

	Capital reserve	Capital contingency	Total nonmajor funds
<b>Assets:</b>			
Restricted:			
Cash	\$ 1,745,493	\$ 3,549	\$ 1,749,042
Investments		343,965	343,965
<b>Total assets</b>	<b>\$ 1,745,493</b>	<b>\$ 347,514</b>	<b>\$ 2,093,007</b>
<b>Total fund balances, restricted</b>	<b>\$ 1,745,493</b>	<b>\$ 347,514</b>	<b>\$ 2,093,007</b>

See notes to financial statements.

***LOWER DAUPHIN SCHOOL DISTRICT***

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023  
(See independent auditor's report)

	Capital reserve	Capital contingency	Total nonmajor funds
Revenue, local sources, investment income	<u>\$ 17,506</u>	<u>\$ 12,544</u>	<u>\$ 30,050</u>
Net change in fund balances	17,506	12,544	30,050
<b>Fund balances, restricted:</b>			
Beginning	<u>1,727,987</u>	<u>334,970</u>	<u>2,062,957</u>
Ending	<u><u>\$ 1,745,493</u></u>	<u><u>\$ 347,514</u></u>	<u><u>\$ 2,093,007</u></u>

See notes to financial statements.

# LOWER DAUPHIN SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023 (See independent auditor's report)

Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass- through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received (refunded) for the year	Accrued (unearned) revenue at July 1, 2022	Revenue recognized	Expenses incurred	Accrued (unearned) revenue at June 30, 2023	Passed through to subrecipients
<b>U.S. Department of Education:</b>											
Passed through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies:	I	84.010	013-210231	08/01/21 - 09/30/22	\$ 508,468	\$ 72,628	\$ 72,628				
	I	84.010	013-220231	07/21/22 - 09/30/23	486,315	421,483		\$ 486,315	\$ 486,315	\$ 64,832	
Title II - Improving Teacher Quality	I	84.367	020-220231	07/21/22 - 09/30/23	88,183	69,878		88,183	88,183	18,305	
Title IV - Student Support and Academic Enrichment:	I	84.424	144-220231	08/01/21 - 09/30/22	37,465	8,045	8,045				
		84.424	144-220231	07/21/22 - 09/30/23	38,684	36,850		38,684	38,684	1,834	
COVID-19 - Elementary Stabilization Fund Program Governor's Emergency Education Relief Fund	I	84.425C	252-200231	03/13/20 - 09/30/22	37,763	(23,637)	(23,637)				
COVID-19 - Elementary and Secondary School Emergency Relief Fund:	I	84.425D	FA-200-20-0231	03/13/20 - 09/30/23	1,839,678	213,916	(76,116)	541,990	541,990	251,958	
	I	84.425U	FA-200-20-0231	03/13/20 - 09/30/23	3,721,136	1,420,798	602,147	890,046	890,046	71,395	
	I	84.425U	225-210231	03/13/20 - 09/30/24	289,217	178,789	20,876	147,380	147,380	(10,533)	
Total passed through the Pennsylvania Department of Education						2,398,750	603,943	2,192,598	2,192,598	397,791	
Passed through the Capital Area Intermediate Unit:											
Special Education Cluster:											
Special Education Grant to States - IDEA, Part B:	I	84.027	062-180015	07/01/21 - 06/30/22	708,652	195,145	195,145				
	I	84.027	062-180015	07/01/22 - 06/30/23	713,233	350,737		713,233	713,233	362,496	
Special Education Preschool Grants - IDEA, Preschool (619)	I	84.173	131-190093	07/01/22 - 06/30/23	5,397	5,397		5,397	5,397		
Special Education Preschool Grants - IDEA, ARP Supplemental	I	84.027X	H027X210093	07/01/21 - 09/30/22	175,817	111,336	46,603	101,253	101,253	36,520	
Total special education cluster passed through the Capital Area Intermediate Unit						662,615	241,748	819,883	819,883	399,016	
<b>Total U.S. Department of Education</b>						<b>3,061,365</b>	<b>845,691</b>	<b>3,012,481</b>	<b>3,012,481</b>	<b>796,807</b>	

(continued)



# **LOWER DAUPHIN SCHOOL DISTRICT**

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)** **YEAR ENDED JUNE 30, 2023** **(See independent auditor's report)**

Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass- through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 1, 2022	Revenue recognized	Expenses incurred	Accrued (unearned) revenue at June 30, 2023	Passed through to subrecipients
<b>U.S. Department of Health and Human Services:</b>											
Passed through the Pennsylvania Department of Health and Human Services, ACCESS											
Title XIV Medical Assistance:	I	93.778	N/A	07/01/21 - 06/30/22	\$ 8,869	\$ 2,384	\$ 2,384				
	I	93.778	N/A	07/01/22 - 06/30/23	8,869	5,469		\$ 7,356	\$ 7,356	\$ 1,887	
<b>Total U.S. Department of Health and Human Services</b>						<b>7,853</b>	<b>2,384</b>	<b>7,356</b>	<b>7,356</b>	<b>1,887</b>	
<b>U.S. Department of Agriculture:</b>											
Child Nutrition Cluster:											
Passed through the Pennsylvania Department of Education:											
National School Lunch Program:	I	10.555	N/A	07/01/21 - 06/30/22	N/A	255,569	255,569				
	I	10.555	N/A	07/01/22 - 06/30/23	N/A	646,866		665,798	665,798	18,932	
National School Lunch Program - Supply Chain Assistance	I	10.555	N/A	07/01/21 - 06/30/23	N/A	96,195	(70,785)	166,980	166,980		
Breakfast (REG/NDY):	I	10.553	N/A	07/01/21 - 06/30/22	N/A	33,044	33,044				
	I	10.553	N/A	07/01/22 - 06/30/23	N/A	125,753		130,387	130,387	4,634	
Total passed through the Pennsylvania Department of Education						1,157,427	217,828	963,165	963,165	23,566	
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	170,439	(b) (9,627) (a)	177,325 (c)	177,325	(2,741) (d)	
<b>Total Child Nutrition Cluster</b>						<b>1,327,866</b>	<b>208,201</b>	<b>1,140,490</b>	<b>1,140,490</b>	<b>20,825</b>	
Passed through the Pennsylvania Department of Education:											
National School Lunch Program - Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	628		628	628		
<b>Total U.S. Department of Agriculture</b>						<b>1,328,494</b>	<b>208,201</b>	<b>1,141,118</b>	<b>1,141,118</b>	<b>20,825</b>	
<b>Total expenditures of federal awards</b>						<b>\$ 4,397,712</b>	<b>\$ 1,056,276</b>	<b>\$ 4,160,955</b>	<b>\$ 4,160,955</b>	<b>\$ 819,519</b>	

(continued)

# LOWER DAUPHIN SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) YEAR ENDED JUNE 30, 2023 (See independent auditor's report)

Source codes:

I = Indirect funding

84.425	Elementary and Secondary School Emergency Relief Fund:			
	84.425D Elementary and Secondary School Emergency Relief (ESSER)	\$	541,990	
	84.425U American Rescue Plan - Elementary and Secondary School			
	Emergency Relief (ARP ESSER)		1,037,426	
	Total Elementary and Secondary School Emergency Relief Fund		<u>1,579,416</u>	
10.555/				
10.553	Child Nutrition Cluster:			
	10.555 National School Lunch Program		832,778	
	10.555 National School Lunch Program, Donated Commodities		177,325	
	10.553 School Breakfast Program		130,387	
	Total Child Nutrition Cluster		<u>1,140,490</u>	
	Total expended by major programs		<u>\$ 2,719,906</u>	
	Total expenditures per above	\$	<u>4,160,955</u>	= 65.37% Programs meet the 20% requirement for low-risk auditee

Notes to schedule of expenditures of federal awards:

Note 1 Significant accounting policies:

The schedule of expenditures of federal awards presents the activity of all federal award programs for the District for the year ended June 30, 2023. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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

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

Note 2 Food distribution:

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

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

Board of School Directors  
Lower Dauphin School District  
Hummelstown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lower Dauphin School District (the District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2023.

### Report on Internal Control Over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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

### Purpose of this Report

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

*Brown Schultz Steindler & Fritz*

Camp Hill, Pennsylvania  
November 17, 2023

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

*Independent Auditor's Report*

Board of School Directors  
Lower Dauphin School District  
Hummelstown, Pennsylvania

**Report on Compliance for Each Major Federal Program**

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

We have audited Lower Dauphin School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lower Dauphin School District's major federal programs for the year ended June 30, 2023. Lower Dauphin 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 Lower Dauphin School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

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

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

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lower Dauphin School District's federal 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 Lower Dauphin School District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lower Dauphin School District's compliance with the requirements of each major federal program as a whole.

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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

*Brown Schultz Steidman & Fritz*

Camp Hill, Pennsylvania  
November 17, 2023

***LOWER DAUPHIN SCHOOL DISTRICT***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**I. SUMMARY OF AUDITOR'S RESULTS:**

*Financial statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   X  no

Significant deficiencies identified that are not  
considered to be material weakness(es)? \_\_\_\_\_ yes   X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X  no

*Federal awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X  no

Significant deficiencies identified that are not  
considered to be material weakness(es)? \_\_\_\_\_ yes   X  none reported

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

Any audit findings disclosed that are required to be reported  
in accordance with the Uniform Guidance? \_\_\_\_\_ yes   X  no

(continued)



***LOWER DAUPHIN SCHOOL DISTRICT***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

**I. SUMMARY OF AUDITOR'S RESULTS (CONTINUED):**

*Federal awards*

Identification of major programs:

<u>Federal assistance listing numbers</u>	<u>Name of federal program or cluster</u>
84.425D	COVID – 19 - Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan – Elementary and Secondary School Emergency Relief Fund
10.555	Child Nutrition Cluster: National School Lunch Program
10.555	National School Lunch Program – Donated Commodities
10.553	School Breakfast Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

X  yes           no

**II. FINANCIAL STATEMENT FINDINGS:**

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:**

None

*LOWER DAUPHIN SCHOOL DISTRICT*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023

There were no prior year audit findings.