Donegal School District
Mount Joy, Pennsylvania
Lancaster County

Financial Statements
Year Ended June 30, 2023

bbd

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DONEGAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Donegal School District
Mount Joy, Pennsylvania

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 Donegal School District, Mount Joy, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Donegal School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Donegal 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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 Donegal School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Notes 1 and 15 to the financial statements, Donegal School District adopted new accounting guidance, GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements"*. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited Donegal School District's 2022 financial statements, and our report dated November 6, 2022 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 15 and 53 through 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Donegal School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants 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 not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023, on our consideration of Donegal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Donegal School District's internal control over financial reporting and compliance.

BBD, LLP

Philadelphia, Pennsylvania
October 9, 2023

Management's discussion and analysis (***"MD&A"***) of the financial performance of the Donegal School District (the ***"District"***) provides an overview of the District's financial performance for fiscal year ended June 30, 2023. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of one elementary school, an intermediate school, a junior high school and a senior high school consisting of approximately 2,794 students. The District covers 34 square miles 10 miles east of the City of Lancaster and is comprised of the Marietta and Mount Joy Boroughs, East Donegal Township and approximately one third of Mount Joy Township. During 2022-2023, there were 389 employees in the District, consisting of 207 teachers, 20 administrators, including general administration, principals, and supervisors, and 162 support personnel including administrative assistants, maintenance staff, custodial staff, food service staff and technology staff.

The mission of the District is to develop each learner as a productive citizen who thoughtfully meets personal, community and global challenges.

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the District resulting in total net position at the close of the 2022-2023 fiscal year of $11,996,204. During the 2022-2023 fiscal year, the District had an increase in total net position of $6,081,556. The net position of governmental activities increased by $5,654,990 and the net position of the business-type activities increased by $426,566.

- The General Fund reported an increase of fund balance of $256,759, bringing the cumulative balance to $17,183,939 at the conclusion of the 2022-2023 fiscal year.

- At June 30, 2023, the General Fund fund balance includes $10,095,000 committed by the School Board and $3,470,000 assigned by management for the following purposes:

  - $1,900,000 committed to employee stabilization
  - $2,500,000 committed to fund future self-insurance expenditures
  - $2,055,000 committed to fund future curriculum initiatives
  - $1,890,000 committed to fund future technology initiatives
  - $1,500,000 committed for equipment and capital improvements
  - $250,000 committed for anticipated increases in the District's required share of retirement contributions
  - $1,600,000 assigned for cyber school costs
  - $1,500,000 assigned for building safety improvements
  - $370,000 assigned for supply chain disruptions

- Actual revenues and other financing sources were $1,156,389 more than budgeted amounts and actual expenditures and other financing uses were $588,779 less than budgeted amounts resulting in a net positive variance of $1,745,168.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

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

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three major individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 18 through 21 of this report.

Proprietary Fund

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type.

The proprietary fund financial statements provide separate financial information for its major fund. The proprietary fund financial statements can be found on Pages 22 through 24 of this report.

Fiduciary Fund

The District is the trustee, or fiduciary, for assets that belong to others, consisting of a student activity fund. The District is responsible for ensuring that the assets reported in this fund are used for their intended purpose and by those to whom the assets belong. This fund is used to account for resources held for the benefit of parties outside the District. The fiduciary fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Page 25 and 26 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 27 through 52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District’s proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District’s proportionate share of the net OPEB liability - PSERS and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 53 through 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2022-2023 fiscal year the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $11,996,204. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2022 and 2023.

	Governmental Activities		Business-Type Activities		Totals	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
ASSETS						
Current assets	$ 41,696,172	$ 39,643,934	$1,767,418	$1,421,018	$ 43,463,590	$ 41,064,952
Noncurrent assets	70,271,470	70,806,682	258,077	223,631	70,529,547	71,030,313
Total assets	111,967,642	110,450,616	2,025,495	1,644,649	113,993,137	112,095,265
DEFERRED OUTFLOWS OF RESOURCES	10,611,006	11,681,386	255,147	276,128	10,866,153	11,957,514
LIABILITIES						
Current liabilities	7,085,325	6,875,102	69,989	52,145	7,155,314	6,927,247
Noncurrent liabilities	100,722,736	98,790,308	1,703,632	1,578,445	102,426,368	100,368,753
Total liabilities	107,808,061	105,665,410	1,773,621	1,630,590	109,581,682	107,296,000
DEFERRED INFLOWS OF RESOURCES	3,211,097	10,562,092	70,307	280,039	3,281,404	10,842,131
NET POSITION (DEFICIT)						
Net investment in capital assets	36,842,747	35,412,485	258,077	223,631	37,100,824	35,636,116
Restricted	17,141,509	15,681,172	-	-	17,141,509	15,681,172
Unrestricted (deficit)	(42,424,766)	(45,189,157)	178,637	(213,483)	(42,246,129)	(45,402,640)
Total net position (deficit)	$ 11,559,490	$ 5,904,500	$ 436,714	$ 10,148	$ 11,996,204	$ 5,914,648

The District's total assets as of June 30, 2023 were $113,993,137 of which $32,875,349 or 28.84% consisted of unrestricted cash and investments and $70,529,547 or 61.87% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2023 were $109,581,682 of which $33,448,325 or 30.52% consisted of general obligation debt used to acquire and construct capital assets and $61,264,119 or 55.91% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of $42,246,129 at June 30, 2023. The District's unrestricted net position increased by $3,156,511 during 2022-2023 primarily due to current year results of operations offset by the change in the District's actuarially determined net pension liability and the related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled $17,141,509 as of June 30, 2023. All of the District's restricted net position related to amounts restricted for capital expenditures and debt service.

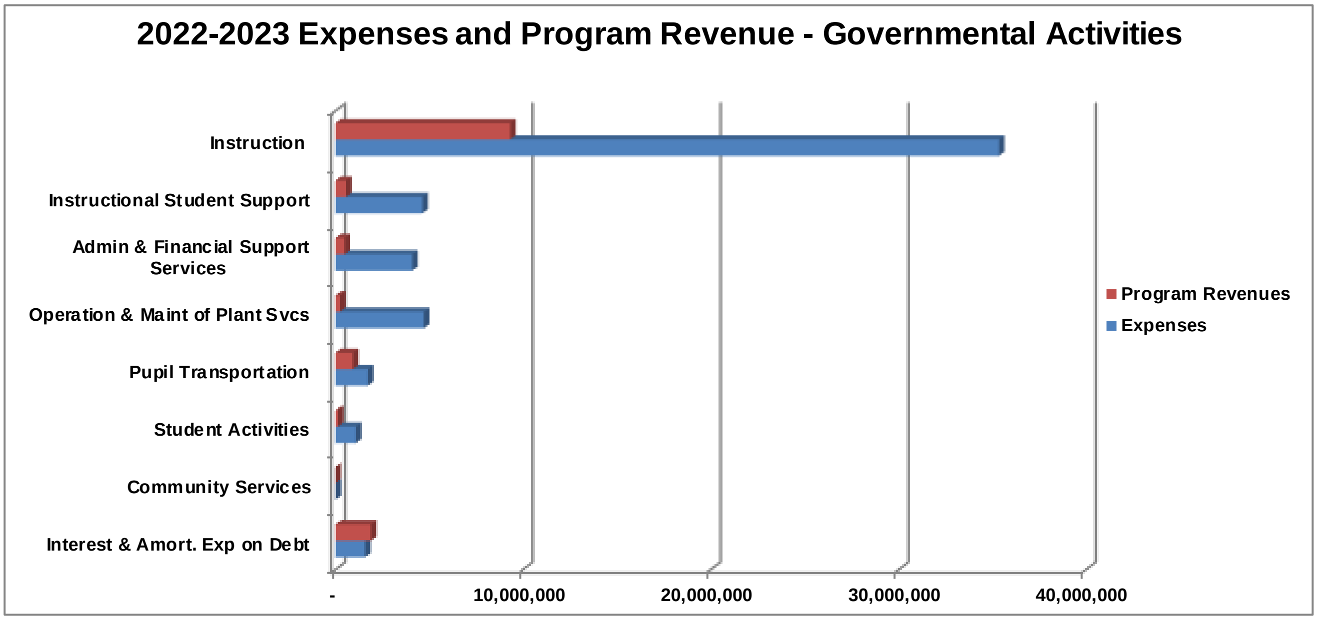
Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2023, the District's net investment in capital assets, increased by $1,464,708 because capital assets were acquired with sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2023 and 2022:

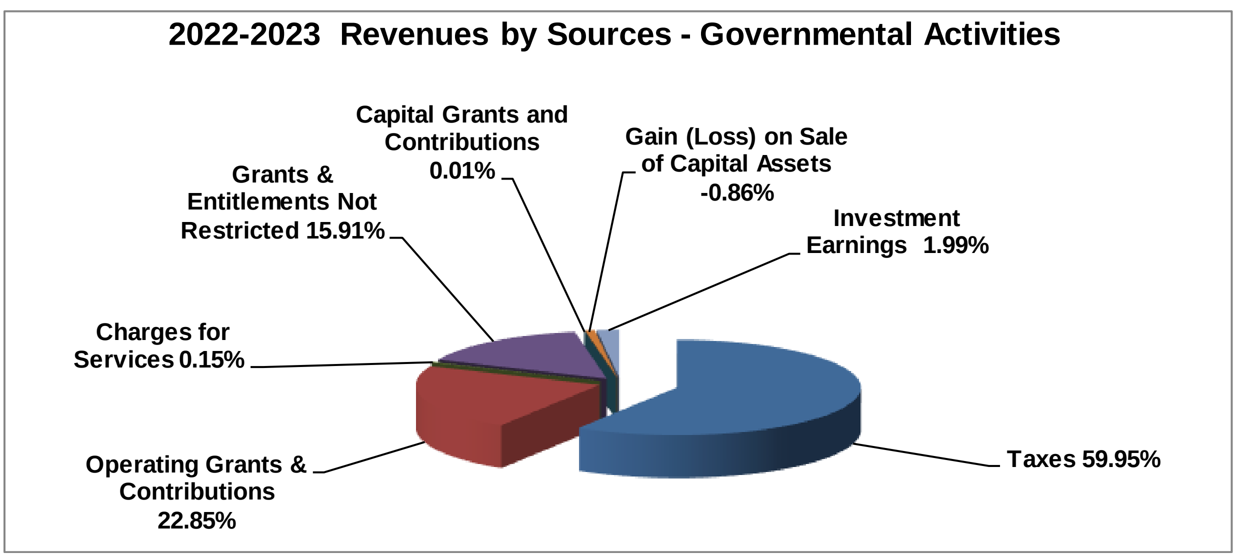
	Governmental Activities		Business-Type Activities		Totals	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
REVENUES						
Program revenues						
Charges for services	$ 86,201	$ 60,120	$ 727,236	$ 239,110	$ 813,437	$ 299,230
Operating grants and contributions	13,448,910	15,773,382	1,781,324	2,561,429	15,230,234	18,334,811
Capital grants and contributions	2,000	37,809	-	-	2,000	37,809
General revenues						
Property taxes levied for general purposes	30,870,161	30,534,076	-	-	30,870,161	30,534,076
Earned income taxes levied for general purposes	3,741,722	3,457,526	-	-	3,741,722	3,457,526
Other taxes	686,704	822,884	-	-	686,704	822,884
Grants and entitlements not restricted to specific programs	9,363,534	8,526,151	-	-	9,363,534	8,526,151
Gain (loss) on sale of capital assets	(505,084)	-	-	-	(505,084)	-
Investment earnings	1,169,492	(225,227)	38,879	3,011	1,208,371	(222,216)
Total revenues	58,863,640	58,986,721	2,547,439	2,803,550	61,411,079	61,790,271
EXPENSES						
Instruction	35,349,932	33,187,083	-	-	35,349,932	33,187,083
Instructional student support services	4,644,377	4,256,592	-	-	4,644,377	4,256,592
Administrative and financial support services	4,104,798	3,671,356	-	-	4,104,798	3,671,356
Operation and maintenance of plant services	4,721,177	4,274,621	-	-	4,721,177	4,274,621
Pupil transportation	1,723,420	1,453,399	-	-	1,723,420	1,453,399
Student activities	1,080,244	1,005,171	-	-	1,080,244	1,005,171
Community services	5,425	17,037	-	-	5,425	17,037
Interest and amortization expense related to non-current liabilities	1,571,689	1,640,936	-	-	1,571,689	1,640,936
Food service	-	-	2,128,461	2,323,408	2,128,461	2,323,408
Total expenses	53,201,062	49,506,195	2,128,461	2,323,408	55,329,523	51,829,603
Change in net position before transfers	5,662,578	9,480,526	418,978	480,142	6,081,556	9,960,668
Transfers	(7,588)	-	7,588	-	-	-
CHANGE IN NET POSITION	$ 5,654,990	$ 9,480,526	$ 426,566	$ 480,142	$ 6,081,556	$ 9,960,668

Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in the future. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



GOVERNMENTAL FUNDS

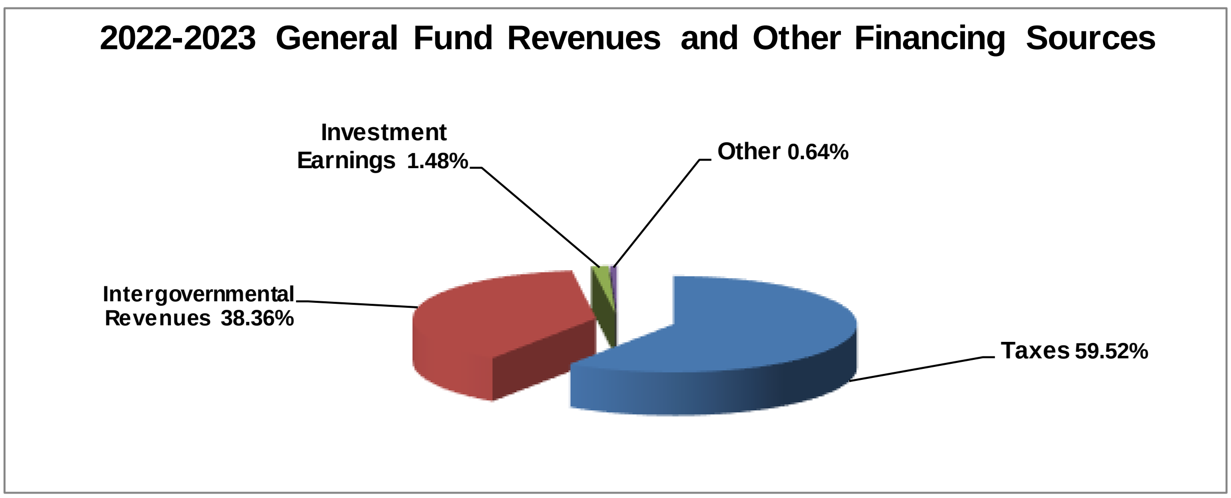
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined fund balance of $34,325,448 which is an increase of $1,726,096 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

	2023	2022	Change
General Fund	$17,183,939	$16,918,180	$ 265,759
Capital Projects Fund	10,926,413	11,278,418	(352,005)
Debt Service Fund	6,215,096	4,402,754	1,812,342
	$34,325,448	$32,599,352	$1,726,096

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was $17,183,939 representing an increase of $265,759 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 59.52% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	2023	2022	$ Change	% Change
Tax revenues	$35,190,079	$34,907,810	$ 282,269	0.81
Intergovernmental revenues	22,681,779	24,233,733	(1,551,954)	(6.40)
Investment earnings	874,667	70,037	804,630	1148.86
Other	375,865	279,058	96,807	34.69
	$59,122,390	$59,490,638	$ (368,248)	(0.62)

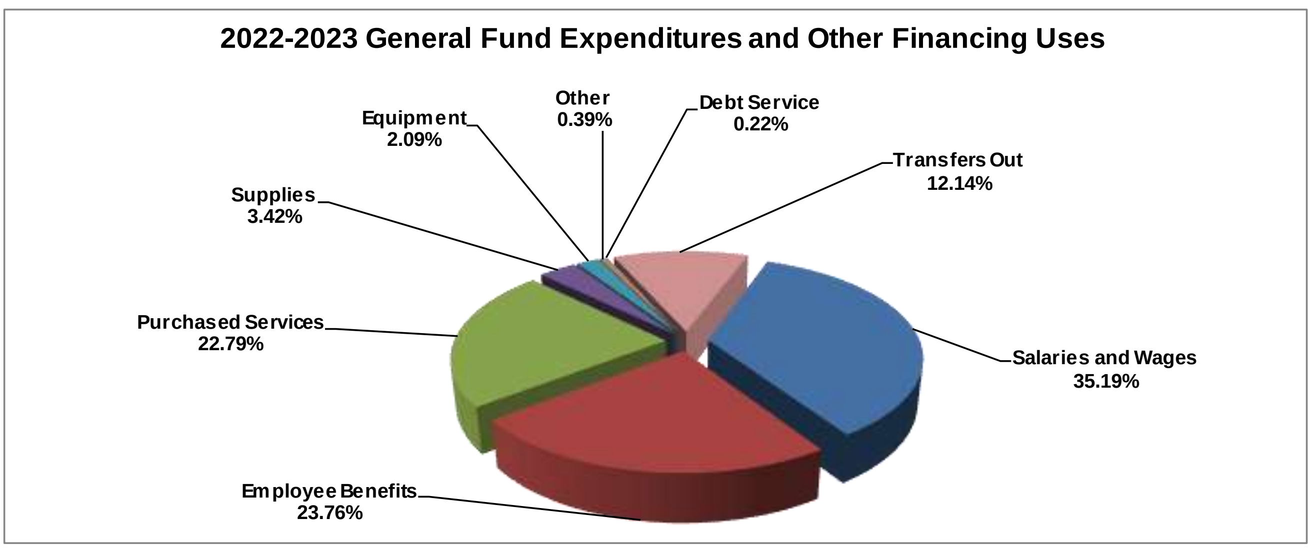
Net tax revenues increased by $282,269 or 0.81% due to several factors. Compared to 2021-2022, the real estate millage increased by 1.00% and the taxable assessment increased by 0.70%, which was offset by a decrease in real estate tax collections percentage in 2022-2023. The District experienced a larger than normal increase in its earned income tax collections of 8.22%, which was consistent with increase in wages in Lancaster County. Real estate transfer taxes however, were down 19.15% or $143,983 consistent with market conditions. Delinquent real estate tax collections saw a decline as well in part due to recent annual declines in amounts liened. The following table summarizes changes in the District's tax revenues for 2022-2023 compared to 2021-2022:

	2023	2022	$ Change	% Change
Real estate tax	$30,283,560	$29,969,596	$ 313,964	1.05
Interim tax	171,166	159,606	11,560	7.24
PURTA tax	33,031	32,752	279	0.85
Local services tax	45,836	38,311	7,525	19.64
Earned income tax	3,741,723	3,457,526	284,197	8.22
Realty transfer tax	607,837	751,820	(143,983)	(19.15)
Delinquent real estate tax	306,926	498,199	(191,273)	(38.39)
	$35,190,079	$34,907,810	$ 282,269	0.81

Intergovernmental revenues decreased by $1,551,954 or 6.40% during 2022-2023. Delinquent Plancon appropriations received in 2021-2022 of approximately $2 million was the major factor for the current year decrease in intergovernmental revenues. The District experienced an increase in its basic education and special education subsidies or 8.40% and 2.90% respectively. Appropriations through the COVID-19 Response and Relief Supplemental and the American Rescue Plan Acts decreased compared to prior year, while the funds from the American Rescue Plan Act will continue to be received and spent through September of 2024.

Investment earnings increased significantly compared to the prior year due to rising interest rates.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	2023	2022	$ Change	% Change
Salaries and wages	$20,714,014	$20,355,397	$ 358,617	1.76
Employee benefits	13,982,393	13,024,450	957,943	7.35
Purchased services	13,413,710	11,812,044	1,601,666	13.56
Supplies	2,010,747	2,224,754	(214,007)	(9.62)
Equipment	1,231,270	972,443	258,827	26.62
Other	226,802	172,201	54,601	31.71
Debt service	132,479	-	132,479	100.00
Transfers out	7,145,216	8,937,922	(1,792,706)	(20.06)
	$58,856,631	$57,499,211	$ 1,357,420	2.36

Salaries and wages increased by $358,617 or 1.76% during 2022-2023 compared to 2021-2022 due to 1) contractual matrix and column movement increases for the professional staff 2) mid-year hourly wage adjustment for all support staff 3) five (5) additional teaching positions added using Elementary and Secondary School Emergency Relief Fund (***"ESSER"***) to address the impact of learning loss and 4) additional hours given to support staff to help cover unfilled positions and to offer additional coverage. There continues to be numerous support staff vacant positions throughout the District for which outside contracted services have been used to fill those vacancies.

Employee benefits increased by $957,943 or 7.35% from the prior year. Medical expenditures increased by 13.00% compared to 2021-2022 which were lower than normal. Medical expenditures have been consistently trending higher than in the past one to two years. In addition, the employer contribution rate for PSERS increased 0.92%.

Purchased services increased by $1,601,666 or 13.56% in 2022-2023 compared to 2021-2022. The increase was mostly due to additional special education services provided by the Lancaster Lebanon I.U. 13. There was also a 31.50% increase for staffing services for both the professional staff and support staff positions due to the unfilled positions held by the District. The District's cyber school costs were almost flat in 2021-2022 compared to 2022-2023 while enrollment has remained consistent.

Expenditures for equipment increased by $258,827 or 26.62% in 2022-2023, due to a security camera upgrade project.

Transfers out decreased due less being transferred to the Capital Reserve Fund and Debt Service Fund, which are used to subsidize future capital costs and debt service requirements and fluctuate based on excess revenues over expenditures in the General Fund available for transfer.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022-2023, the Capital Projects Fund reported a decrease in fund balance of $352,005 due to capital expenditures in excess of transfers from the General Fund and investment earnings. The remaining fund balance of $10,926,413 as of June 30, 2023 is restricted for future capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the District's outstanding general obligation debt. Transfers are made during the year from the General Fund to finance debt service payments as they become due.

Pursuant to loan agreements with the State Public School Building Authority under its Qualified School Construction Bonds program, the District established a Debt Sinking Fund. The District is required to make deposits annually into the Debt Sinking Fund. The deposits and investment earnings on the deposits are available for payment of maturities under the loan agreement.

As of June 30, 2023, the fund balance in the Debt Service Fund was $6,215,096 and is restricted for future debt service expenditures.

GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were $1,156,389 more than budgeted amounts and actual expenditures and other financing uses were $588,779 less than budgeted amounts resulting in a net positive variance of $1,745,168. Major budgetary highlights for 2022-2023 were as follows:

Local source revenues were $1,512,780 higher than budgeted amounts, resulting from higher than anticipated collections for earned income taxes and interest income. Earned income tax collections were budgeted to remain flat for 2022-2023 and actual collections increased 8.22% compared to 2021-2022.

State source revenues exceeded budgeted amounts by $301,755 and federal source revenues were $660,066 less than budgeted amounts. The Act 1 budget timeline requires the District to pass a budget typically prior to the State legislature passage of their budget. The District's budgeted increase in its basic education subsidy for 2022-2023 was less than the actual 8.40% increase in the basic education subsidy received. The negative variance in federal source revenue is due to less than anticipated appropriations for ESSER and Medical ACCESS.

Instruction expenditures were $693,182 less than budget. This favorable variance was in part due to less than anticipated contracted services with the Lancaster-Lebanon I.U.13 due to a change in the services needed and population of special education students.

Transfers out were $1,356,416 more than budget due to an unbudgeted transfer to the Capital Reserve Fund.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2022-2023, the net position of the business-type activities and Food Service Fund increased by $426,566. As of June 30, 2023, the business-type activities and Food Service Fund had a net position of $436,714.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounted to $70,529,547 net of accumulated depreciation. This investment in capital assets includes land, site improvements, buildings and improvements, furniture and equipment, vehicles and right-to-use lease and subscription assets. The total decrease in the District's net investment in capital assets for the current fiscal year was $500,766 or 0.71%. The decrease was the result of current year depreciation and loss on disposed assets in excess of current year capital additions.

Current year capital additions were $4,068,227 and depreciation expense and the net book value of disposed of capital assets was $4,568,993. Major capital additions for the current year consisted of roofing projects at Donegal Primary, Intermediate and Junior High schools and security camera upgrades.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of $33,448,325 consisting of $1,060,000 in bonds payable, $9,200,000 note payable, $22,950,000 in qualified school construction bonds and net deferred credits of $238,325. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by $2,452,548 or 6.83% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is $86,287,757 which exceeds the District's outstanding general obligation debt as of June 30, 2023.

The District maintains an AA- Stable rating from Standard and Poor's.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled $61,264,119 as of June 30, 2023. The District's net pension liability increased by $4,893,229 or 8.68% during the fiscal year.

The District reports a liability for its other post-employment benefits (***"OPEB"***) related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District’s net OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled $5,671,944 as of June 30, 2023. The District’s net OPEB liability decreased by $920,471 or 13.96% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for accrued retirement bonuses, compensated absences, leases payable, and subscriptions payable which totaled $2,041,980 as of June 30, 2023. These liabilities increased by $537,405 or 35.72% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District continues to be strong financially, however there continues to be concerns regarding the economic and political outlook for the state and local community. There remains uncertainty surrounding the future of real estate tax collection in the state of Pennsylvania with a desire to enact legislation for Property Tax Reform. The District relies heavily on real estate collection, approximately 50% of total revenues comes from real estate taxes.

With the passage of Act 1 in 2006, there remains a "ceiling" on the percentage increase of local real estate taxes that can be levied. For the 2023-2024 fiscal year, the District was allowed to increase the real estate property tax rate by 5.30% under the adjusted Act 1 index. However, the Board of Directors approved a property tax rate increase for the 2023-2024 fiscal year was 0.50%. The adjusted index for the 2024-2025 budget for the District is 6.90%. The administration continues to review revenue projections and to identify ways to reduce operating costs in an effort to develop a balanced budget that provides adequate current revenue to cover current expenditures.

The cost of mandated employee retirement benefits through the Pennsylvania Public School Employees’ Retirement System (***"PSERS"***) continues to burden the District. The employer contribution rate for the 2022-2023 school year was 35.26% which is a significant rise compared to a decade prior, the 2012-2013 employer contributions rate was just 12.36%. The employer contribution for the 2023-2024 school year was certified at 34.00% which is a slight reduction from the prior year. PSERS rates are estimated to continue increasing to a projected 37.30% employer contribution expense in the 2029-2030 school year.

The District offers a competitive benefits package to employees through the District’s self-insured plan. As such actual health care costs continue to be a concern for the District’s budget. The District has seen a steady rise in health insurance costs and will continue to research strategies to lower the pace of medical inflation.

The Board has established six committed fund balances; self–insurance, curriculum, technology, equipment capital projects, employee stabilization, and PSERS. The District is self-insured for its health care costs and amounts committed for self-insurance will protect the District’s assets from medical claims which may from time to time exceed the current year’s budgeted expenses. The fund balance committed for curriculum will help the District to fund major curriculum changes that are expected in the next few years. The committed fund balance for technology will be utilized to fund its one-to-one initiative so that the District can maintain adequate technology to continue its educational programs. The fund balance committed for equipment and capital projects will be utilized to fund major maintenance or instructional equipment or furniture needed that exceed the current year’s budget. The fund balance committed for employee stabilization was established to offset raises given to support staff and additional positions needed to provide adequate services for the District. It will be used to help phase in the increase in wages. The fund balance committed for PSERS was established to offset the anticipated increases in mandated contributions to the school employee retirement program.

The actual opening enrollment in the District, decreased by 34 students from 2022-2023 to 2023-2024. While over the last few years the District has experienced slight increases and decreases in total enrollment, it does not expect a significant growth or decrease in student population in the future. The District's in person enrollment is almost back to the same level it was pre COVID-19. The District will continue to watch for trends that will impact growth and/or decline in student population; however, no formal study has been undertaken in recent years.

The District adopted a 2023-2024 budget totaling $61,230,185 which used $1,504,381 of General Fund balance consisting of both unassigned, assigned, and committed funds as of June 30, 2023 and the real estate tax millage rate was increased by 0.50%. The District also budgeted to use $2,146,729 in ESSER funding for the 2023-2024 school year. The District's use of the fund balance is being used to offset additional one time equipment purchases for facilities and technology, debt service and to help level out increases in employee wages and healthcare costs.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, Donegal School District, 1051 Koser Road, Mount Joy, PA 17552.

DONEGAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023 with summarized comparative totals for 2022

	Governmental Activities	Business-type Activities	Totals 2023	Totals 2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	$ 11,281,161	$ 1,656,163	$ 12,937,324	$ 26,502,430
Investments	19,938,025	-	19,938,025	5,371,431
Restricted assets:				
Cash held by fiscal agent	5,989	-	5,989	1,175
Investments held by fiscal agent	4,956,491	-	4,956,491	3,227,170
Taxes receivable	1,105,147	-	1,105,147	1,025,773
Due from other governments	2,859,033	63,584	2,922,617	4,190,044
Internal balances	42,099	(42,099)	-	-
Other receivables	970,757	5,540	976,297	641,405
Prepaid expenses	537,470		537,470	30,259
Inventories	-	84,230	84,230	75,265
Total current assets	41,696,172	1,767,418	43,463,590	41,064,952
NONCURRENT ASSETS				
Capital assets, net	70,271,470	258,077	70,529,547	71,030,313
Total assets	111,967,642	2,025,495	113,993,137	112,095,265
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	460,395	-	460,395	690,591
Deferred charges on proportionate share of pension - PSERS	8,941,303	242,089	9,183,392	9,893,684
Deferred charges OPEB - single employer	726,997	-	726,997	792,269
Deferred charges on proportionate share of OPEB - PSERS	482,311	13,058	495,369	580,970
Total deferred outflows of resources	10,611,006	255,147	10,866,153	11,957,514
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	1,590,636	19,677	1,610,313	1,360,887
Accrued salaries, payroll withholdings and benefits	4,994,366	4,919	4,999,285	5,006,755
Accrued interest payable	393,440	-	393,440	400,851
Unearned revenue	19,446	45,393	64,839	57,606
Other liabilities	87,437	-	87,437	101,148
Total current liabilities	7,085,325	69,989	7,155,314	6,927,247
NONCURRENT LIABILITIES				
Due within one year	1,140,329	-	1,140,329	2,556,161
Due in more than one year	99,582,407	1,703,632	101,286,039	97,812,592
Total noncurrent liabilities	100,722,736	1,703,632	102,426,368	100,368,753
Total liabilities	107,808,061	1,773,621	109,581,682	107,296,000
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	1,959,933	53,067	2,013,000	10,528,000
Deferred credits OPEB - single employer	614,404	-	614,404	219,131
Deferred credits on proportionate share of OPEB - PSERS	636,760	17,240	654,000	95,000
Total deferred inflows of resources	3,211,097	70,307	3,281,404	10,842,131
NET POSITION (DEFICIT)				
Net investment in capital assets	36,842,747	258,077	37,100,824	35,636,116
Restricted	17,141,509	-	17,141,509	15,681,172
Unrestricted (deficit)	(42,424,766)	178,637	(42,246,129)	(45,402,640)
Total net position (deficit)	$ 11,559,490	$ 436,714	$ 11,996,204	$ 5,914,648

See accompanying notes

DONEGAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals 2023	Totals 2022
GOVERNMENTAL ACTIVITIES								
Instruction	$ 35,349,932	$ 30,237	$ 9,270,959	$ -	$ (26,048,736)	$ -	$ (26,048,736)	$ (23,296,941)
Instructional student support services	4,644,377	-	567,624	-	(4,076,753)	-	(4,076,753)	(3,710,160)
Administrative and financial support services	4,104,798	-	478,961	-	(3,625,837)	-	(3,625,837)	(3,228,715)
Operation and maintenance of plant services	4,721,177	18,464	227,626	-	(4,475,087)	-	(4,475,087)	(4,058,273)
Pupil transportation	1,723,420	-	924,928	-	(798,492)	-	(798,492)	(635,694)
Student activities	1,080,244	37,500	98,067	2,000	(942,677)	-	(942,677)	(851,182)
Community services	5,425	-	-	-	(5,425)	-	(5,425)	(17,037)
Interest and amortization expense related to noncurrent liabilities	1,571,689	-	1,880,745	-	309,056	-	309,056	2,163,118
Total governmental activities	53,201,062	86,201	13,448,910	2,000	(39,663,951)	-	(39,663,951)	(33,634,884)
BUSINESS-TYPE ACTIVITIES								
Food service	2,128,461	727,236	1,781,324	-	-	380,099	380,099	477,131
Total primary government	$ 55,329,523	$ 813,437	$ 15,230,234	$ 2,000	(39,663,951)	380,099	(39,283,852)	(33,157,753)
GENERAL REVENUES								
Property taxes levied for general purposes					30,870,161	-	30,870,161	30,534,076
Earned income taxes levied for general purposes					3,741,722	-	3,741,722	3,457,526
Other taxes levied for general purposes					686,704	-	686,704	822,884
Grants and entitlements not restricted to specific programs					9,363,534	-	9,363,534	8,526,151
Investment earnings					1,169,492	38,879	1,208,371	(222,216)
Gain (loss) on sale of capital assets					(505,084)	-	(505,084)	-
TRANSFERS					(7,588)	7,588	-	-
Total general revenues					45,318,941	46,467	45,365,408	43,118,421
CHANGE IN NET POSITION (DEFICIT)					5,654,990	426,566	6,081,556	9,960,668
NET POSITION (DEFICIT)								
Beginning of year					5,904,500	10,148	5,914,648	(4,046,020)
End of year					$ 11,559,490	$ 436,714	$ 11,996,204	$ 5,914,648

See accompanying notes

DONEGAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Debt Service Fund	2023	2022
ASSETS					
Cash	$ 9,629,745	$ 932,037	$ 719,379	$ 11,281,161	$ 25,094,498
Investments	11,078,491	8,366,297	493,237	19,938,025	5,371,431
Restricted assets:					
Cash held by fiscal agent	-	-	5,989	5,989	1,175
Investments held by fiscal agent	-	-	4,956,491	4,956,491	3,227,170
Taxes receivable	1,105,147	-	-	1,105,147	1,025,773
Due from other funds	84,209	1,600,000	40,000	1,724,209	1,489,727
Due from other governments	2,489,511	-	-	2,489,511	3,820,522
Other receivables	970,757	-	-	970,757	641,379
Prepaid items	18,507	518,963	-	537,470	30,259
Total assets	$ 25,376,367	$ 11,417,297	$ 6,215,096	$ 43,008,760	$ 40,701,934
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,099,752	$ 490,884	$ -	$ 1,590,636	$ 1,360,879
Due to other funds	1,682,110	-	-	1,682,110	1,427,522
Accrued salaries, payroll withholdings and benefits	4,994,366	-	-	4,994,366	5,002,966
Unearned revenues	19,446	-	-	19,446	9,258
Other liabilities	87,437	-	-	87,437	101,148
Total liabilities	7,883,111	490,884	-	8,373,995	7,901,773
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	309,317	-	-	309,317	200,809
FUND BALANCES					
Nonspendable					
Prepaid items	18,507	518,963	-	537,470	30,259
Restricted for					
Capital projects	-	10,407,450	-	10,407,450	11,278,418
Debt service	-	-	6,215,096	6,215,096	4,402,754
Assigned for					
Cyber school costs	1,600,000	-	-	1,600,000	1,600,000
Safety improvements	1,500,000	-	-	1,500,000	1,500,000
Supply chain disruptions	370,000	-	-	370,000	224,400
Committed to					
Employee stabilization	1,900,000	-	-	1,900,000	1,900,000
Self-insured health insurance	2,500,000	-	-	2,500,000	2,500,000
Curriculum initiatives	2,055,000	-	-	2,055,000	1,890,000
Technology initiatives	1,890,000	-	-	1,890,000	1,890,000
Equipment and capital improvements	1,500,000	-	-	1,500,000	1,500,000
Retirement rate stabilization	250,000	-	-	250,000	250,000
Unassigned	3,600,432	-	-	3,600,432	3,633,521
Total fund balances	17,183,939	10,926,413	6,215,096	34,325,448	32,599,352
Total liabilities, deferred inflows of resources and fund balances	$ 25,376,367	$ 11,417,297	$ 6,215,096	$ 43,008,760	$ 40,701,934

See accompanying notes

DONEGAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES	$ 34,325,448
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 in the governmental funds balance sheet.	70,271,470
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	460,395
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	6,939,514
Some of the District's property and per capita taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	309,317
Receivables related to subsidies for long-term debt are not available to pay for current period expenditures and thus are not recognized in the governmental funds but are recognized in the statement of net position (deficit).	369,522
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(100,722,736)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(393,440)
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ 11,559,490

DONEGAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Debt Service Fund	2023	2022
REVENUES					
Local sources	$ 36,589,253	$ 266,955	$ 27,870	$ 36,884,078	$ 35,182,701
State sources	18,089,815	-	-	18,089,815	18,774,634
Federal sources	4,441,422	-	-	4,441,422	5,238,039
Total revenues	59,120,490	266,955	27,870	59,415,315	59,195,374
EXPENDITURES					
Current					
Instruction	35,092,262	-	-	35,092,262	33,782,756
Support services	15,605,826	-	-	15,605,826	13,922,112
Operation of noninstructional services	880,848	388,933	-	1,269,781	830,754
Facilities acquisition, construction and improvement services		2,218,960	-	2,218,960	3,011,515
Debt service	132,479	-	3,753,156	3,885,635	5,157,761
Refund of prior year revenues	-	-	-	-	25,667
Total expenditures	51,711,415	2,607,893	3,753,156	58,072,464	56,730,565
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,409,075	(2,340,938)	(3,725,286)	1,342,851	2,464,809
OTHER FINANCING SOURCES (USES)					
Sale of/compensation for capital assets	1,900	-	-	1,900	-
Proceeds from extended term financing	-	388,933	-	388,933	-
Transfers in	-	1,600,000	5,537,628	7,137,628	8,937,922
Transfers out	(7,145,216)	-	-	(7,145,216)	(8,937,922)
Total other financing sources (uses)	(7,143,316)	1,988,933	5,537,628	383,245.00	-
NET CHANGE IN FUND BALANCES	265,759	(352,005)	1,812,342	1,726,096	2,464,809
FUND BALANCES					
Beginning of year	16,918,180	11,278,418	4,402,754	32,599,352	30,134,543
End of year	$ 17,183,939	$ 10,926,413	$ 6,215,096	$ 34,325,448	$ 32,599,352

See accompanying notes

DONEGAL SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 1,726,096
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 and reported as depreciation expense. This is the amount by which depreciation expense and the net book value of disposed of capital assets exceeded capital outlays in the current period.		
Capital outlay expenditures	4,004,651	
Net book value of disposed of capital assets	(506,984)	
Depreciation expense	(4,032,879)	(535,212)
Because some property and per capita 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. Deferred inflows of resources increased by this amount in the current period.		
Deferred inflows of resources June 30, 2022	(200,809)	
Deferred inflows of resources June 30, 2023	309,317	108,508
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of bonds and note payable	2,325,000	
Proceeds from extended term financing	(388,933)	
Repayment of leases payable	84,183	
Repayment of subscriptions payable	47,872	
Amortization of discounts, premiums and deferred amounts on refunding	(102,648)	1,965,474
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.		
Current year change in accrued interest payable	7,411	
Current year change in accrued retirement bonus	(320,586)	
Current year change in compensated absences	55,313	
Current year change in net pension liability - PSERS and deferred outflows and inflows	2,834,729	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(263,138)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	76,395	2,390,124
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 5,654,990

See accompanying notes

DONEGAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

June 30, 2023 with summarized comparative totals for 2022

	Food Service Fund	
	2023	**2022**
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	$ 1,656,163	$ 1,407,932
Due from other governments	63,584	-
Due from other funds	42,110	34,522
Other receivables	5,540	26
Inventories	84,230	75,265
Total current assets	1,851,627	1,517,745
NONCURRENT ASSETS		
Capital assets, net	258,077	223,631
Total assets	2,109,704	1,741,376
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on proportionate share of pension - PSERS	242,089	260,813
Deferred charges on proportionate share of OPEB - PSERS	13,058	15,315
Total deferred outflows of resources	255,147	276,128
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (DEFICIT)		
LIABILITIES		
Accounts payable	19,677	8
Due to other funds	84,209	96,727
Accrued salaries, payroll withholdings and benefits	4,919	3,789
Unearned revenue	45,393	48,348
Total current liabilities	154,198	148,872
NONCURRENT LIABILITIES		
Accrued retirement bonus	21,891	6,637
Net proportionate share of OPEB liability - PSERS	66,723	85,784
Net proportionate share of pension liability - PSERS	1,615,018	1,486,024
Total noncurrent liabilities	1,703,632	1,578,445
Total liabilities	1,857,830	1,727,317
DEFERRED INFLOWS OF RESOURCES		
Deferred credits on proportionate share of pension - PSERS	53,067	277,535
Deferred credits on proportionate share of OPEB - PSERS	17,240	2,504
Total deferred inflows of resources	70,307	280,039
NET POSITION (DEFICIT)		
Net investment in capital assets	258,077	223,631
Unrestricted (deficit)	178,637	(213,483)
Total net position (deficit)	$ 436,714	$ 10,148

See accompanying notes

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUND

Year ended June 30, 2023 with summarized comparative totals for 2022

	Food Service Fund	
	2023	**2022**
OPERATING REVENUES		
Charges for services	$ 727,236	$ 239,110
OPERATING EXPENSES		
Salaries	563,979	550,512
Employee benefits	306,810	516,595
Purchased professional and technical services	41,388	29,542
Purchased property services	9,932	24,218
Supplies	1,172,658	1,167,793
Depreciation	29,130	33,248
Other operating expenses	4,564	1,500
Total operating expenses	2,128,461	2,323,408
Operating loss	(1,401,225)	(2,084,298)
NONOPERATING REVENUES		
Earnings on investments	38,879	3,011
State sources	338,975	167,251
Federal sources	1,442,349	2,394,178
Total nonoperating revenues	1,820,203	2,564,440
Change in net position before transfers	418,978	480,142
Transfers in	7,588	-
CHANGE IN NET POSITION (DEFICIT)	426,566	480,142
NET POSITION (DEFICIT)		
Beginning of year	10,148	(469,994)
End of year	$ 436,714	$ 10,148

See accompanying notes

DONEGAL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2023 with summarized comparative totals for 2022

	Food Service Fund	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	$ 724,281	$ 212,519
Cash payments to employees for services	(945,742)	(928,654)
Cash payments to supplies for goods and services	(1,044,262)	(1,031,246)
Cash payments for other operating expenses	(4,564)	(1,500)
Net cash used for operating activities	(1,270,287)	(1,748,881)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	333,701	172,637
Federal sources	1,209,514	2,258,348
Net cash provided by noncapital financing activities	1,543,215	2,430,985
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(63,576)	(129,793)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	38,879	3,011
Net increase in cash	248,231	555,322
CASH		
Beginning of year	1,407,932	852,610
End of year	$ 1,656,163	$ 1,407,932
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	$ (1,401,225)	$ (2,084,298)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	29,130	33,248
Donated commodities used	174,526	181,834
(Increase) decrease in		
Due from other funds	-	-
Other receivables	(5,514)	386
Inventories	(8,965)	10,534
Deferred outflows of resources	20,981	(38,059)
Increase (decrease) in		
Accounts payable	19,669	(2,447)
Due to other funds	(12,519)	(35,730)
Accrued salaries, payroll withholdings and benefits	1,130	3,133
Unearned revenue	(2,955)	(26,591)
Accrued retirement bonus	15,254	(6,064)
Net OPEB liability	(19,061)	19,445
Net pension liability	128,994	(24,641)
Deferred inflows of resources	(209,732)	220,369
Net cash used for operating activities	$ (1,270,287)	$ (1,748,881)
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	$ 174,526	$ 181,834

See accompanying notes

DONEGAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUND

June 30, 2023 with summarized comparative totals for 2022

	Custodial Fund	
	2023	**2022**
ASSETS		
Cash	$ 88,733	$ 94,470
LIABILITIES		
Accounts payable	8,687	1,610
NET POSITION		
Restricted for student activities	$ 80,046	$ 92,860

See accompanying notes

DONEGAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

June 30, 2023 with summarized comparative totals for 2022

	Custodial Fund	
	2023	**2022**
ADDITIONS		
Interest income	$ 1,771	$ 291
Receipts from student groups	112,920	118,582
	114,691	118,873
DEDUCTIONS		
Student activity disbursements	127,505	96,228
CHANGE IN NET POSITION	(12,814)	22,645
NET POSITION		
Beginning of year	92,860	70,215
End of year	$ 80,046	$ 92,860

See accompanying notes

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Donegal School District (the ***"District"***) operates one elementary school, one intermediate school, one junior high school and a senior high school to provide education and related services to the residents in the Boroughs of Marietta and Mount Joy, East Donegal Township and approximately one third of Mount Joy Township. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the ***"School Board"***).

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (***"GAAP"***) as applied to governmental units. The Governmental Accounting Standards Board (***"GASB"***) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest and other related costs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These 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 funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has one custodial fund consisting of funds held on behalf of students.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	-	Discount period, 2% of gross levy
September 1 – December 31	-	Face period
January 1 to collection	-	Penalty period, 10% of gross levy
March 31	-	Lien date

The County Board of Assessments determines assessed valuations of property, and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2022-2023 was 19.2774 mills ($19.2774 for $1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	-	August 31
Installment Two	-	October 31
Installment Three	-	December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: site improvements – 20-40 years; buildings and improvements – 15-40 years; furniture and equipment – 5-10 years and vehicles – 8-10 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2023.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Accrued Retirement Bonus

Upon voluntary retirement, employees with qualifying years of service according to their respective employment contract are eligible to receive a lump sum retirement bonus.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Non-spendable

Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Director of Business Services or (b) an appointed body or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources–committed, assigned or unassigned–in order as needed.

The School Board has set a policy to maintain an unassigned General Fund fund balance of not less than 5% and a maximum unassigned General Fund fund balance of 8% of the following year's expenditure budget. Unassigned General Fund fund balance in excess of 8% of the following year's expenditure budget may be appropriated by the School Board for nonrecurring expenditures.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2022, the District adopted the provisions of GASB Statement No. 94 *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* and GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements"*.

The objective of GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (***"PPP's***). As used in GASB Statement No. 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this GASB Statement No. 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

The objective of GASB Statement No. 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (***"SBITA"s***) for government end users (governments). GASB Statement No. 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, Leases, as amended. As a result of the implementation of GASB Statement No. 96, the District recognized its right-to-use subscription assets and corresponding subscription payables for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, *"Accounting Changes and Error Corrections"* will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances 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.

GASB Statement No. 101, *"Compensated Absences"* will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in a newspaper of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2023, the carrying amount of the District's deposits was $13,032,046 and the bank balance was $13,253,934. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, $255,989 was covered by federal depository insurance and $5,111,333 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund (***"PSDLAF"***). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net assets value of $1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2023, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

Investments

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

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 – 5**	**6 – 10**	**11 – 15**
Certificates of deposit	$ 246,000	$ 246,000	$ -	$ -	$ -
PSDLAF collateralized investment pools	13,349,976	13,349,976	-	-	-
U.S. Treasury and agency securities	11,298,540	6,342,049	1,603,961	3,352,530	-
	$24,894,516	$19,938,025	$1,603,961	$3,352,530	$ -

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools and U.S. Treasury and agency securities were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2023.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

Restricted Deposits and Investments

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds ***(See Note 7)***. The total carrying amounts and related bank balances of these cash and investment accounts are $4,962,480 as of June 30, 2023.

(4) 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	$ 1,403,584	$ -	$ -	$ 1,403,584
Construction in progress	2,875,327	2,043,000	3,488,123	1,430,204
Total capital assets not being depreciated	4,278,911	2,043,000	3,488,123	2,833,788
Capital assets being depreciated				
Site improvements	11,241,996	-	-	11,241,996
Buildings and improvements	96,990,350	3,668,195	2,748,349	97,910,196
Furniture and equipment	15,543,088	1,339,621	1,516,365	15,366,344
Right-to-use lease assets	251,383	388,933	251,383	388,933
Right-to-use subscription assets	102,050	-	-	102,050
Vehicles	330,491	53,025	-	383,516
Total capital assets being depreciated	124,459,358	5,449,774	4,516,097	125,393,035
Less accumulated depreciation for				
Site improvements	(4,800,965)	(448,115)	-	(5,249,080)
Buildings and improvements	(41,427,987)	(2,577,284)	(2,241,365)	(41,763,906)
Furniture and equipment	(11,206,807)	(876,311)	(1,516,365)	(10,566,753)
Right-to-use lease assets	(167,589)	(83,794)	(251,383)	-
Right-to-use-subscription assets	-	(42,472)	-	(42,472)
Vehicles	(328,239)	(4,903)	-	(333,142)
Total accumulated depreciation	(57,931,587)	(4,032,879)	(4,009,113)	(57,955,353)
Total capital assets being depreciated, net	66,527,771	1,416,895	506,984	67,437,682
Governmental activities, net	$ 70,806,682	$ 3,459,895	$ 3,995,107	$ 70,271,470
Business-type activities				
Machinery and equipment	$ 1,386,265	$ 63,576	$ 11,698	$ 1,483,143
Less accumulated depreciation	(1,162,634)	(29,130)	(11,698)	(1,180,066)
Business-type activities, net	$ 223,631	$ 34,446	$ -	$ 258,077

As of June 30, 2023, the District had outstanding construction commitments for roofing project at Donegal Junior High School and a District-wide HVAC project in the amount of $568,243.

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities	
Instruction	$2,716,888
Instructional student support	124,299
Administrative and financial support services	89,808
Operation and maintenance of plant services	844,812
Transportation services	2,279
Student activities	254,793
Total depreciation expense – governmental activities	$4,032,879
Business-type activities	
Food service	$ 29,130

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

Receivable To	Amount	Payable From	Amount
General Fund	$ 84,209	Food Service Fund	$ 84,209
Food Service Fund	42,110	General Fund	42,110
Capital Projects Fund	1,600,000	General Fund	1,600,000
Debt Service Fund	40,000	General Fund	40,000
	$1,766,319		$1,766,319

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

Transfers In	Amount	Transfers Out	Amount
Food Service Fund	$ 7,588	General Fund	$ 7,588
Capital Projects Fund	1,600,000	General Fund	1,600,000
Debt Service Fund	5,537,628	General Fund	5,537,628
	$7,145,216		$7,145,216

Transfers from the General Fund to the Capital Projects Fund and Debt Service Fund represent transfers to subsidize costs associated with the acquisition of capital assets and debt service requirements.

(6) CHANGE IN NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Amount Due Within One Year
Governmental activities					
General obligation debt					
Bonds payable	$ 3,160,000	$ -	$2,100,000	$ 1,060,000	$ 670,000
Note payable	9,425,000	-	225,000	9,200,000	230,000
Qualified school construction bonds	22,950,000	-	-	22,950,000	-
Bond premiums	411,793	-	137,263	274,530	137,263
Bond discounts	(45,920)	-	(9,715)	(36,205)	(9,715)
Total general obligation debt	35,900,873	-	2,452,548	33,448,325	1,027,548
Other noncurrent liabilities					
Accrued retirement bonus	1,141,178	320,586	-	1,461,764	-
Compensated absences	172,845	-	55,313	117,532	-
Leases payable	84,183	388,933	84,183	388,933	73,770
Subscriptions payable	99,732	-	47,872	51,860	39,011
OPEB liability	3,338,291	-	197,407	3,140,884	-
Net OPEB liability – PSERS	3,168,340	-	704,003	2,464,337	-
Net pension liability - PSERS	54,884,866	4,764,235	-	59,649,101	-
Total other noncurrent liabilities	62,889,435	5,473,754	1,088,778	67,274,411	112,781
Total governmental activities	98,790,308	5,473,754	3,541,326	100,722,736	1,140,329
Business-type activities					
Accrued retirement bonus	6,637	15,254	-	21,891	-
Net OPEB liability – PSERS	85,784	-	19,061	66,723	-
Net pension liability - PSERS	1,486,024	128,994	-	1,615,018	-
Total business-type activities	1,578,445	144,248	19,061	1,703,632	-
Total noncurrent liabilities	$100,368,753	$5,618,002	$3,560,387	$102,426,368	$1,140,329

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are generally liquidated by the Food Service Fund.

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds (***"QSCB"***) program sponsored by the State Public School Building Authority (***"SPSBA"***). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act ("ARRA") and allows schools to borrow at nominal or zero percent to fund new construction, renovation and rehabilitation of schools as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects. Under the QSCB program the SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as a reimbursement of the interest portion of their loan repayments. On October 1, 2010, the District borrowed $17,000,000 from the SPSBA under the QSCB program. The District is required to deposit amounts ranging from $5,000 to $3,089,000 annually into a sinking fund through the maturity date of September 1, 2027. On November 1, 2011, the District borrowed $5,950,000 from the SPSBA under the QSCB program. The District is required to deposit $330,556 annually into a sinking fund through the maturity date of September 1, 2029. Sinking fund deposits are included as restricted assets held by fiscal agent in the accompanying financial statements.

General obligation debt outstanding as of June 30, 2023 consisted of the following:

Description	Interest Rate(s)	Original Issue Amount	Final Maturity	Principal Outstanding
General obligation bonds				
Series of 2017	0.95% - 5.00%	$12,640,000	06/02/2025	$ 1,060,000
General obligation note				
Series of 2020	1.58%	$9,630,000	06/02/2030	9,200,000
Qualified school construction bonds				
Series of 2010A	5.00%	$17,000,000	09/15/2027	17,000,000
Series of 2011C	5.088%	$5,950,000	09/15/2029	5,950,000
Total qualified school construction bonds				22,950,000
Total general obligation debt				$33,210,000

Annual debt service requirements to maturity on these obligations are as follows:

Year ending June 30,	Principal Maturities	Interest Maturities	Debt Sinking Fund	Total
2024	$ 900,000	$1,334,646	$ 3,419,556	$ 5,654,202
2025	935,000	1,304,212	3,419,556	5,658,768
2026	950,000	1,285,851	3,419,556	5,655,407
2027	960,000	1,270,841	3,419,556	5,650,397
2028	17,995,000	830,673	(13,580,444)	5,245,229
2029-2030	11,470,000	565,810	(5,288,888)	6,746,922
	$33,210,000	$6,592,033	$ (5,191,108)	$40,194,682

(8) LEASES PAYABLE

The District has entered into a 60-month lease as a lessee for the use of multi-function devices. An initial lease liability was recorded in the amount of $388,933. As of June 30, 2023, the value of the lease liability is $388,933. The District is required to make monthly fixed payments of $6,932. The lease has an imputed interest rate of 2.628% and a useful life of 5 years at contract commencement. The value of the right-to-use asset as of June 30, 2023 was $388,933 net of accumulated amortization of $0, and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2024	$ 73,770	$ 9,411	$ 83,181
2025	75,654	7,527	83,181
2026	77,708	5,473	83,181
2027	79,818	3,363	83,181
2028	81,983	1,198	83,181
	$388,933	$26,972	$415,905

(9) SUBSCRIPTIONS PAYABLE

The District has entered into long-term lease agreements for subscription-based information technology arrangements. Initial subscription liabilities were recorded in the amount of $142,783. As of June 30, 2023 the value of the subscription liabilities is $51,860. The District is required to make annual fixed payments ranging from $5,000 to $18,498. The subscriptions payable have interest rates ranging from 0.315%-3.238% and a useful life of 3 years at contract commencement. The value of the right to use asset as of June 30, 2023 of $59,578, net of accumulated amortization of $42,472, and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2024	$39,011	$ 802	$39,813
2025	12,849	364	13,213
	$51,860	$1,166	$53,025

(10) PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 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.

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public 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.state.pa.us.

Benefits Provided

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

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

Benefits are generally between 1.00% to 2.50%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, 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.

Contributions

Member Contributions

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

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

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

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% 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 plan from the District were $7,153,392 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $61,264,119 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' total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1378 percent, which was an increase of 0.0005 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability of $59,649,101 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining $1,615,018 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized pension expense of $4,247,000. 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
Difference between projected and actual experience	$ 28,000	$ 530,000
Changes in assumptions	1,829,000	-
Net difference between projected and actual investment earnings	-	1,040,000
Changes in proportions	173,000	443,000
Contributions subsequent to the measurement date	7,153,392	-
	$9,183,392	$2,013,000

$7,153,392 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 in the 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:

Year ended June 30,	
2024	$ (98,000)
2025	204,000
2026	(1,539,000)
2027	1,450,000
	$ 17,000

Actuarial Assumptions

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

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.00 %	5.30%
Private equity	12.00 %	8.00%
Fixed income	33.00 %	2.30%
Commodities	9.00 %	2.30%
Infrastructure/MLPs	9.00 %	5.40%
Real estate	11.00 %	4.60%
Absolute return	6.00 %	3.50%
Cash	3.00 %	0.50%
Leverage	(11.00)%	0.50%
	100.00 %	

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

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 the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) that 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	$79,240,947	$61,264,119	$46,107,476

Pension Plan Fiduciary Net Position

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

(11) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits (***"OPEB"***) include a single-employer defined benefit plan that provides medical and dental insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2021:

Active participants	268
Retired participants	15
Vested former participants	-
Total	283

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and by rolling forward the liabilities from the July 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is $3,140,884, all of which is unfunded. As of June 30, 2023, the OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2023 was as follows:

Balance as of July 1, 2022	$3,338,291
Changes for the year	
Service cost	270,150
Interest on total OPEB liability	81,016
Differences between expected and actual experience	-
Changes in assumptions	(446,877)
Benefit payments	(101,696)
Net changes	(197,407)
Balance as of June 30, 2023	$3,140,884

OPEB Liabilities, 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 $364,359. At June 30, 2023, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$334,687	$ 59,640
Changes in assumptions	291,089	554,764
Contributions subsequent to the measurement date	101,221	-
	$726,997	$614,404

$101,221 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2024	$ 13,193
2025	13,193
2026	13,193
2027	13,193
2028	13,193
Thereafter	(54,593)
	$ 11,372

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

The following presents the OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
OPEB liability	$2,763,104	$3,140,884	$3,589,971

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
OPEB Liability	$3,380,884	$3,140,884	$2,914,732

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB Liability as of July 1, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.06% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 2.28% to 4.06%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.00% in 2023, 5.50% in 2024 and 2025, gradually decreasing to 3.90% in 2075.
- Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation and were based on the Buck Modified 2016 projection scale to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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 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.

Plan Description

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

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS' health options program or employer-sponsored health insurance program.

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

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

Benefits Provided

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

Employer Contributions

The 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 $156,369 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $2,531,060 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1375 percent, which was a increase of 0.0002 from its proportion measured as of June 30, 2022. As of June 30, 2023, the net OPEB liability of $2,464,337 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining $66,723 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized OPEB expense of $77,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 23,000	$ 14,000
Changes in assumptions	281,000	598,000
Net difference between projected and actual investment earnings	7,000	-
Changes in proportions	28,000	42,000
Contributions subsequent to the measurement date	156,369	-
	$495,369	$654,000

$156,369 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2024	$ (61,000)
2025	(47,000)
2026	(56,000)
2027	(73,000)
2028	(78,000)
	$(315,000)

Actuarial Assumptions

The OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' OPEB 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 % of pay
- Investment return – 4.09% - Standard & Poors 20-year municipal bond rate
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at $1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

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

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

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.00%	0.50%

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.

Discount Rate

The discount rate used to measure the OPEB liability was 4.09%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual health insurance premium assistance. As of June 30, 2022, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$2,530,803	$2,531,060	$2,531,266

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point 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 OPEB liability	$2,862,325	$2,531,060	$2,253,862

OPEB Plan Fiduciary Net Position

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

(12) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Joint Ventures

Lancaster County Career and Technology Center

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center (***"LCCTC"***). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2022-2023 was $706,667.

Lancaster County Career and Technology Center Authority

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the ***"Authority"***). The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2022-2023 was $50,763.

On September 20, 2011, the Authority authorized the issuance of Guaranteed Lease Revenue Bonds, Series of 2011 (the ***"2011 Revenue Bonds"***), in the maximum aggregate principal amount of $43,000,000 to provide funds for the renovations and additions to the Brownstown, Mount Joy and Willow Street campuses of the LCCTC and pay for the costs of issuance. The District and the 15 Lancaster County school districts have entered into a long-term lease agreement with the Authority stipulating that each school district will pay its proportionate share of the lease rentals in order to retire the 2011 Revenue Bonds based on real estate market values as set forth in the LCCTC organization agreement. The 2011 Revenue Bonds were issued in three different series over three years. The amount of each series was not to exceed $10,000,000 without the participating school districts' approval. The 2011 Revenue Bonds were intended to be repaid over a period not to exceed thirty years, with gross annual debt service not to exceed $1,985,000 and net annual debt service (after reimbursement by the Commonwealth of Pennsylvania) of $1,330,000. On June 29, 2012, the Authority issued the first of three series in the total amount of $9,995,000. On September 20, 2013 the Authority issued the second of three series in the total amount of $9,995,000 which was refinanced in February 2017 and on July 9, 2014, the Authority issued the final of the three series in the total amount of $3,900,000. On June 1, 2020, the Authority refinanced its Series of 2013 and Series of 2014 Revenue Bonds by issuing the Series of 2020 Revenue Bonds in the amount of $11,145,000. The District's lease rental obligations for minimum rental payments related to the issued debt are as follows:

Year ending June 30,	
2024	$ 50,609
2025	50,741
2026	51,006
2027	50,659
2028	50,356
2029-2033	249,655
2034-2037	198,903
	$701,929

Both the LCCTC and the Authority prepare financial statements that are available to the public from their administrative office located at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Jointly Governed Organizations

Lancaster-Lebanon Intermediate Unit

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the ***"LLIU"***). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2022-2023, the District contracted with the LLIU for special education services which totaled $2,909,717.

Lancaster-Lebanon Joint Authority

The District and the other Lancaster and Lebanon County school district are also participating members of the Lancaster-Lebanon Joint Authority (the ***"Authority"***). The Authority oversees acquiring, holding, constructing, improving and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2022-2023, the District did not have any financial transactions with the Authority.

Lancaster County Tax Collection Bureau

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the ***"Bureau"***) for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The Bureau’s operating expenditures are deducted from each members earned income tax distributions. During 2022-2023, the District’s portion of operating expenditures for the Bureau totaled $62,787.

Lancaster County Academy

The Lancaster County Academy (the ***"Academy"***) is an alternative public school organized by the District and 9 other Lancaster County school districts to provide services in the County. Each of the participating school districts appoints one member to serve on the joint operating committee. The District is considered to have an ongoing financial responsibility to fund the operations of the Academy. During 2022-2023, the District’s portion of operating expenditures for the Academy totaled $36,715.

(13) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(14) RISK MANAGEMENT

Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims.

The District has recorded a liability in the General Fund for claims incurred through June 30, 2023 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2023 and 2021:

	2023	2022
Net self-insurance liability – beginning of year	$ 292,440	$ 484,150
Current year insurance claims and changes in estimates	4,454,374	4,048,812
Insurance claims paid	(4,283,012)	(4,240,522)
Net self-insurance liability – end of year	$ 463,802	$ 292,440

Property and Liability

The District and 15 participating member school districts from Lancaster and Lebanon County, the LLIU, the Lancaster County Academy, and the LCCTC participate in the Lancaster-Lebanon Public Schools Insurance Pool (the ***"Pool"***), which is a public entity risk pool currently operating as a common risk management and insurance program. The District and the other participating members pay an annual premium to the Pool for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the pools insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Pool, that the Pool will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the Pool against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance for claims greater than $150,000 per occurrence. As of June 30, 2023, the District is not aware of any additional assessments relating to the Pool.

Workers' Compensation

The District and 16 participating member school districts from Lancaster and Lebanon County, the LLIU, and the Lancaster County Academy participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the ***"Fund"***), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2023, the District is not aware of any additional assessments relating to this Fund.

Other Risks

The District is exposed to other risks of loss, including errors and omissions. The District has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(15) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 96 *"Subscription-Based Information Technology Arrangements"*, the District made a prior period adjustment to record net position for its right-to-use subscription assets and associated subscription payables.

These prior period adjustments and their effect on net position at July 1, 2022 was an increase in net capital assets of $102,050 and an increase in lease liabilities of $99,732.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DONEGAL SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 35,076,473	$ 35,076,473	$ 36,589,253	$ 1,512,780
State sources	17,788,040	17,788,040	18,089,815	301,775
Federal sources	5,101,488	5,101,488	4,441,422	(660,066)
Total revenues	57,966,001	57,966,001	59,120,490	1,154,489
EXPENDITURES				
Instruction				
Regular programs	23,750,246	23,766,546	23,431,052	335,494
Special programs	11,223,729	11,223,729	10,832,936	390,793
Vocational programs	762,000	762,000	776,161	(14,161)
Other instructional programs	5,000	5,000	33,964	(28,964)
Nonpublic school programs	28,169	28,169	18,149	10,020
Total instruction	35,769,144	35,785,444	35,092,262	693,182
Support services				
Pupil support services	2,246,503	2,246,153	2,336,135	(89,982)
Instructional staff services	2,344,816	2,517,416	2,059,148	458,268
Administrative services	2,849,348	2,849,348	3,068,233	(218,885)
Pupil health	636,378	636,378	577,389	58,989
Business services	531,911	531,911	544,350	(12,439)
Operation and maintenance of plant services	4,490,972	4,526,472	4,630,191	(103,719)
Student transportation services	1,793,731	1,793,731	1,723,961	69,770
Support services - central	509,813	510,163	646,475	(136,312)
Other support services	20,300	20,300	19,944	356
Total support services	15,423,772	15,631,872	15,605,826	26,046
Operation of noninstructional services				
Student activities	878,351	878,351	875,423	2,928
Community services	5,343	5,343	5,425	(82)
Total operation of noninstructional services	883,694	883,694	880,848	2,846
Debt service	-	-	132,479	(132,479)
Total expenditures	52,076,610	52,301,010	51,711,415	589,595
Excess (deficiencies) of revenues over (under) expenditures	5,889,391	5,664,991	7,409,075	1,744,084
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	-	-	1,900	1,900
Transfers out	(5,788,800)	(5,788,800)	(7,145,216)	(1,356,416)
Budgetary reserve	(1,580,000)	(1,355,600)	-	1,355,600
Total other financing sources (uses)	(7,368,800)	(7,144,400)	(7,143,316)	1,084
NET CHANGE IN FUND BALANCE	$ (1,479,409)	$ (1,479,409)	265,759	$ 1,745,168
FUND BALANCE				
Beginning of year			16,918,180	
End of year			$ 17,183,939	

DONEGAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	Measurement Date								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.1378%	0.1373%	0.1379%	0.1404%	0.1384%	0.1388%	0.1367%	0.1340%	0.1308%
District's proportionate share of the net pension liability	$ 61,264,119	$ 56,370,890	$ 67,900,603	$ 65,682,782	$ 66,438,872	$ 68,601,107	$ 67,744,000	$ 58,042,000	$ 51,771,577
District's covered-employee payroll	$ 20,213,585	$ 19,457,244	$ 19,358,860	$ 19,358,860	$ 18,642,249	$ 18,483,584	$ 17,709,675	$ 17,235,638	$ 16,686,678
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	303.08%	289.72%	350.75%	339.29%	356.39%	371.15%	382.53%	336.76%	310.26%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.56%	54.00%	52.00%	50.00%	54.00%	57.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

DONEGAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 6,866,469	$ 6,526,401	$ 6,442,000	$ 6,287,443	$ 5,872,766	$ 5,308,972	$ 4,354,741	$ 3,313,332	$ 2,599,945
Contributions in relation to the contractually required contribution	$ 6,866,469	$ 6,526,401	$ 6,442,000	$ 6,287,443	$ 5,872,766	$ 5,308,972	$ 4,354,741	$ 3,313,332	$ 2,599,945
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 20,213,585	$ 19,457,244	$ 19,358,860	$ 19,358,860	$ 18,642,249	$ 18,483,584	$ 17,709,675	$ 17,235,638	$ 16,686,678
Contributions as a percentage of covered-employee payroll	33.97%	33.54%	33.28%	32.48%	31.50%	28.72%	24.59%	19.22%	15.58%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

DONEGAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY						
Service cost	$ 270,150	$ 260,589	$ 192,109	$ 200,861	$ 189,190	$ 162,439
Interest on total OPEB liability	81,016	60,106	89,276	79,171	77,572	49,351
Differences between expected and actual experience	-	196,279	-	(86,148)	-	291,284
Changes of assumptions	(446,877)	(104,019)	333,014	(73,156)	1,106	59,868
Benefit payments	(101,696)	(99,462)	(118,932)	(103,190)	(98,652)	(87,066)
Net change in total OPEB liability	(197,407)	313,493	495,467	17,538	169,216	475,876
Total OPEB liability, beginning	3,338,291	3,024,798	2,529,331	2,511,793	2,342,577	1,866,701
Total OPEB liability, ending	$ 3,140,884	$ 3,338,291	$ 3,024,798	$ 2,529,331	$ 2,511,793	$ 2,342,577
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 17,898,201	$ 17,898,201	$ 17,109,593	$ 17,109,593	$ 17,331,232	$ 17,331,232
Net OPEB liability as a % of covered payroll	17.55%	18.65%	17.68%	14.78%	14.49%	13.52%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

DONEGAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
District's proportion of the net OPEB liability	0.1375%	0.1373%	0.1380%	0.1404%	0.1384%	0.1388%
District's proportionate share of the net OPEB liability	$ 2,531,060	$ 3,254,124	$ 2,981,762	$ 2,986,086	$ 2,885,569	$ 2,827,928
District's covered-employee payroll	$ 20,213,585	$ 19,457,244	$ 19,369,716	$ 19,358,860	$ 18,642,249	$ 18,483,584
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

DONEGAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually required contribution	$ 160,563	$ 159,769	$ 162,458	$ 160,858	$ 154,626	$ 153,455
Contributions in relation to the contractually required contribution	$ 160,563	$ 159,769	$ 162,458	$ 160,858	$ 154,626	$ 153,455
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 20,213,585	$ 19,457,244	$ 19,369,716	$ 19,358,860	$ 18,642,249	$ 18,483,584
Contributions as a percentage of covered-employee payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

DONEGAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023
U.S. Department of Education										
Passed-Through the Pennsylvania Department of Education										
Title I - Improving Basic Programs	I	84.010	013-220119	07/01/21 - 09/30/22	$ 591,596	$ 165,702	$ 165,576	$ 126	$ 126	$ -
Title I - Improving Basic Programs	I	84.010	013-230119	07/01/22 - 09/30/23	502,856	395,101	-	502,856	502,856	107,755
Total CFDA #84.010						560,803	165,576	502,982	502,982	107,755
Title II - Improving Teacher Quality	I	84.367	020-220119	07/01/21 - 09/30/22	87,580	18,899	17,887	1,012	1,012	-
Title II - Improving Teacher Quality	I	84.367	020-230119	07/01/22 - 09/30/23	65,390	61,839	-	62,284	62,284	445
Total CFDA #84.367						80,738	17,887	63,296	63,296	445
Title IV - Student Support and Academic Enrichment	I	84.424	144-220119	07/01/21 - 09/30/22	45,497	9,094	9,122	-	-	28
Title IV - Student Support and Academic Enrichment	I	84.424	144-230119	07/01/22 - 09/30/23	46,419	41,061	-	44,933	44,933	3,872
Total CFDA #84.424						50,155	9,122	44,933	44,933	3,900
COVID-19 CARES Act - ESSER I	I	84.425D	200-200119	03/13/20 - 09/30/21	583,390	(4,400)	(4,400)	-	-	-
COVID-19 CRRSA Act - ESSER II	I	84.425D	200-210119	03/13/20 -09/30/23	$ 2,234,044	831,272	559,936	271,336	271,336	-
COVID-19 ARP Act - ESSER III	I	84.425U	223-210119	03/13/20 - 09/30/24	4,518,825	2,054,011	489,470	1,744,692	1,744,692	180,151
COVID-19 ARP ESSER 7%	I	84.425U	225-210119	03/13/20 - 09/30/24	351,213	31,928	(3,301)	43,206	43,206	7,977
COVID-19 ARP ESSER Homeless Children & Youth	I	84.425U	181-212120	07/01/21 - 09/30/24	37,271	17,202	6,760	8,942	8,942	(1,500)
Passed-Through the Pennsylvania Commission on Crime and Deliquency										
COVID-19 ESSER School Health and Safety Grants	I	84.425D	2020-ES-01-35404	03/13/20 - 09/30/22	92,381	602	602	-	-	-
Total CFDA # 84.425						2,930,615	1,049,067	2,068,176	2,068,176	186,628
Passed Through the Lancaster-Lebanon I.U.										
I.D.E.A. - Part B, Section 611	I	84.027	062-210013	07/01/20 - 09/30/21	-	-	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-230013	07/01/22 - 09/30/23	573,685	573,685	-	573,685	573,685	-
COVID-19 ARP ESSER III I.D.E.A. - Part B, Section 611	I	84.027	062-220013	07/01/21 - 09/30/23	138,593	75,201	-	75,201	75,201	-
Total CFDA # 84.027						648,886	-	648,886	648,886	-
I.D.E.A. - Part B, Section 619	I	84.173	131-220013	07/01/21 - 09/30/22	1,773	1,773	1,773	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-230013	07/01/22 - 09/30/23	1,284	-	-	1,284	1,284	1,284
Total CFDA # 84.173						1,773	1,773	1,284	1,284	1,284
Total U.S. Department of Education						4,272,970	1,243,425	3,329,557	3,329,557	300,012

Continued on next page

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023
U.S. Department of Health and Social Services										
Passed Through the Lancaster-Lebanon I.U.										
Medical Assistance Program	I	93.788	N/A	07/01/22-06/30/23	N/A	13,595	9,380	10,284	10,284	6,069
Total CFDA #93.788						13,595	9,380	10,284	10,284	6,069
U.S. Department of Agriculture										
Passed-Through the Pennsylvania Department of Education										
State Matching Share	S	N/A	N/A	07/01/22 - 06/30/23	N/A	221,559	-	229,952	229,952	8,393
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	275,781	-	282,384	282,384	6,603
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	81,829	-	81,829	81,829	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	851,276	-	864,886	864,886	13,610
Passed-Through the Pennsylvania Department of Agriculture										
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	171,390	(19,478)	174,526	174,526	(16,342)
Total CFDA #10.555						1,104,495	(19,478)	1,121,241	1,121,241	(2,732)
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	628	-	628	628	-
Total U.S. Department of Agriculture						1,602,463	(19,478)	1,634,205	1,634,205	12,264
Total Federal Awards and Certain State Grants						$ 5,889,028	$ 1,233,327	$ 4,974,046	$ 4,974,046	$ 318,345
Total Federal Awards						$ 5,667,469	$ 1,233,327	$ 4,744,094	$ 4,744,094	$ 309,952
Total State Awards						221,559	-	229,952	229,952	8,393
Total Federal Awards and Certain State Grants						$ 5,889,028	$ 1,233,327	$ 4,974,046	$ 4,974,046	$ 318,345
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						$ 650,659	$ 1,773	$ 650,170	$ 650,170	$ 1,284
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						$ 1,380,276	$ (19,478)	$ 1,403,625	$ 1,403,625	$ 3,871

Source Codes

D - Direct Funding

I - Indirect Funding

S - State Funding

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2022-2023 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2023 was $75,000.

(5) QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM

The District participates in the Qualified School Construction Bonds (***"QSCB"***) program sponsored by the State Public School Building Authority (***"SPSBA"***). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance and are not included on the schedule of expenditures of federal awards and certain state grants. The amount of QSCB subsidy payments recognized for the year ended June 30, 2023 was $1,064,677.

(6) INDIRECT COSTS

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

DONEGAL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2023

There were no audit findings for the year ended June 30, 2022.

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

Board of School Directors
Donegal School District
Mount Joy, 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 Donegal School District, Mount Joy, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Donegal School District's basic financial statements, and have issued our report thereon dated October 9, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Donegal 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

Philadelphia, Pennsylvania
October 9, 2023

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

Board of School Directors
Donegal School District
Mount Joy, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Donegal School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Donegal School District's major federal programs for the year ended June 30, 2023. Donegal 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, Donegal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Donegal 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 Donegal School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Donegal School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Donegal 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 Donegal 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 Donegal 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.

BBD, LLP

Philadelphia, Pennsylvania
October 9, 2023

DONEGAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Donegal School District were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Donegal School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

3. No instances of noncompliance material to the financial statements of Donegal School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Donegal School District expresses an unmodified opinion on all major federal programs.

6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

7. The program tested as a major program was:

   Educational and Secondary School Emergency Relief Fund – CFDA Number 84.425

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Donegal School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None