



**DONEGAL SCHOOL DISTRICT**  
**Mount Joy, Pennsylvania**  
**Lancaster County**  
**Financial Statements**  
**June 30, 2024**  
**With Independent Auditor's Report**

**Donegal School District**  
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**June 30, 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors of  
Donegal School District:

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Donegal School District, Mount Joy, Pennsylvania, as of and for the year ended June 30, 2024, 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, 2024, 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.

#### 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**

The Donegal School District's 2023 financial statements were previously audited by BBD, LLP, who joined WithumSmith+Brown, PC on April 1, 2024, and expressed unmodified audit opinions on those financial statements in the report dated October 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 55 through 60 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 February 13, 2025, 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.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

February 13, 2025

# **Donegal School District**

## **Management's Discussion and Analysis - Unaudited**

### **June 30, 2024**

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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, 2024. 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 2,789 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 2023-2024, there were 393 employees in the District, consisting of 208 teachers, 20 administrators, including general administration, principals, and supervisors, and 165 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 2023-2024 fiscal year of \$17,661,900. During the 2023-2024 fiscal year, the District had an increase in total net position of \$5,665,696. The net position of governmental activities increased by \$5,425,130 and the net position of the business-type activities increased by \$240,566.
- The General Fund reported an increase of fund balance of \$1,594,683, bringing the cumulative balance to \$18,778,622 at the conclusion of the 2023-2024 fiscal year.
- At June 30, 2024, the General Fund fund balance includes \$10,095,000 committed by the School Board and \$3,710,000 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
  - ♦ \$1,610,000 assigned for building safety improvements
  - ♦ \$500,000 assigned for supply chain disruptions
- Actual revenues and other financing sources were \$1,731,525 more than budgeted amounts and actual expenditures and other financing uses were \$1,181,539 less than budgeted amounts resulting in a net positive variance of \$2,913,064.

**Donegal School District  
Management's Discussion and Analysis - Unaudited  
June 30, 2024**

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**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.



# **Donegal School District Management's Discussion and Analysis - Unaudited June 30, 2024**

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## **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 54 of this report.

**Donegal School District**  
**Management's Discussion and Analysis - Unaudited**  
**June 30, 2024**

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**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 55 through 60 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 2023-2024 fiscal year the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,661,900. The following table presents condensed information for the Statement of Net Position (Deficit) of the District at June 30, 2023 and 2024.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Assets</b>						
Current and other assets	\$ 46,832,744	\$ 41,696,172	\$ 1,873,031	\$ 1,767,418	\$ 48,705,775	43,463,590
Capital assets, net	68,555,302	70,271,470	313,134	258,077	68,868,436	70,529,547
Total assets	115,388,046	111,967,642	2,186,165	2,025,495	117,574,211	113,993,137
<b>Deferred outflows of resources</b>	10,946,285	10,611,006	271,554	255,147	11,217,839	10,866,153
<b>Liabilities</b>						
Current liabilities	7,821,592	7,085,325	45,676	69,989	7,867,268	7,155,314
Noncurrent liabilities	98,763,499	100,722,736	1,684,437	1,703,632	100,447,936	102,426,368
Total liabilities	106,585,091	107,808,061	1,730,113	1,773,621	108,315,204	109,581,682
<b>Deferred inflows of resources</b>	2,764,620	3,211,097	50,326	70,307	2,814,946	3,281,404
<b>Net position (deficit)</b>						
Net investment in capital assets	35,884,553	36,842,747	313,134	258,077	36,197,687	37,100,824
Restricted	19,905,725	17,141,509	-	-	19,905,725	17,141,509
Unrestricted (deficit)	(38,805,658)	(42,424,766)	364,146	178,637	(38,441,512)	(42,246,129)
Total net position (deficit)	\$ 16,984,620	\$ 11,559,490	\$ 677,280	\$ 436,714	\$ 17,661,900	\$ 11,996,204

The District's total assets as of June 30, 2024 were \$117,574,211 of which \$35,365,435 or 30.08% consisted of unrestricted cash and investments and \$68,868,436 or 58.57% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2024 were \$108,315,204 of which \$32,420,767 or 29.93% consisted of general obligation debt used to acquire and construct capital assets and \$60,679,422 or 56.02% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$38,441,512 at June 30, 2024. The District's unrestricted net position increased by \$3,804,617 during 2023-2024 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 \$19,905,725 as of June 30, 2024. All of the District's restricted net position related to amounts restricted for capital expenditures and debt service.

# **Donegal School District** **Management's Discussion and Analysis - Unaudited** **June 30, 2024**

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, 2024, the District's net investment in capital assets, decreased by \$903,367 because capital assets were acquired with sources other than long-term debt.

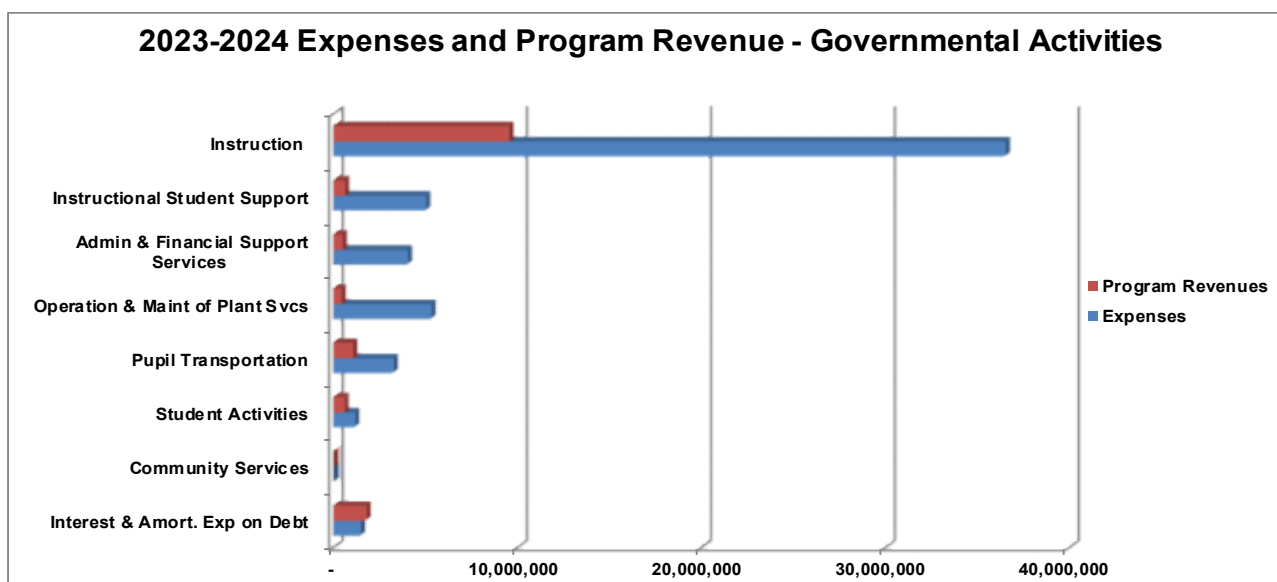
The following table presents condensed information for the Statement of Activities of the District for 2024 and 2023:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 109,945	\$ 86,201	\$ 806,739	\$ 727,236	\$ 916,684	\$ 813,437
Operating grants and contributions	13,723,147	13,448,910	1,903,032	1,781,324	15,626,179	15,230,234
Capital grants and contributions	7,533	2,000	-	-	7,533	2,000
General revenues						
Property taxes levied for general purposes	31,223,468	30,870,161	-	-	31,223,468	30,870,161
Earned income taxes levied for general purposes	3,854,622	3,741,722	-	-	3,854,622	3,741,722
Other taxes	654,812	686,704	-	-	654,812	686,704
Grants and entitlements not restricted to specific programs	10,076,934	9,363,534	-	-	10,076,934	9,363,534
Investment earnings	2,309,906	1,169,492	78,141	38,879	2,388,047	1,208,371
Gain (loss) on sale of capital assets	7,139	(505,084)	-	-	7,139	(505,084)
Total revenues	<u>61,967,506</u>	<u>58,863,640</u>	<u>2,787,912</u>	<u>2,547,439</u>	<u>64,755,418</u>	<u>61,411,079</u>
<b>Expenses</b>						
Instruction	36,481,729	35,349,932	-	-	36,481,729	35,349,932
Instructional student support services	4,983,979	4,644,377	-	-	4,983,979	4,644,377
Administrative and financial support services	3,997,060	4,104,798	-	-	3,997,060	4,104,798
Operation and maintenance of plant services	5,276,730	4,721,177	-	-	5,276,730	4,721,177
Pupil transportation	3,213,097	1,723,420	-	-	3,213,097	1,723,420
Student activities	1,131,167	1,080,244	-	-	1,131,167	1,080,244
Community services	9,327	5,425	-	-	9,327	5,425
Interest and amortization expense related to noncurrent liabilities	1,444,284	1,571,689	-	-	1,444,284	1,571,689
Food service	-	-	2,552,349	2,128,461	2,552,349	2,128,461
Total expenses	<u>56,537,373</u>	<u>53,201,062</u>	<u>2,552,349</u>	<u>2,128,461</u>	<u>59,089,722</u>	<u>55,329,523</u>
Change in net position before transfers	5,430,133	5,662,578	235,563	418,978	5,665,696	6,081,556
Transfers	(5,003)	(7,588)	5,003	7,588	-	-
<b>Change in net position (deficit)</b>	<u>\$ 5,425,130</u>	<u>\$ 5,654,990</u>	<u>\$ 240,566</u>	<u>\$ 426,566</u>	<u>\$ 5,665,696</u>	<u>\$ 6,081,556</u>

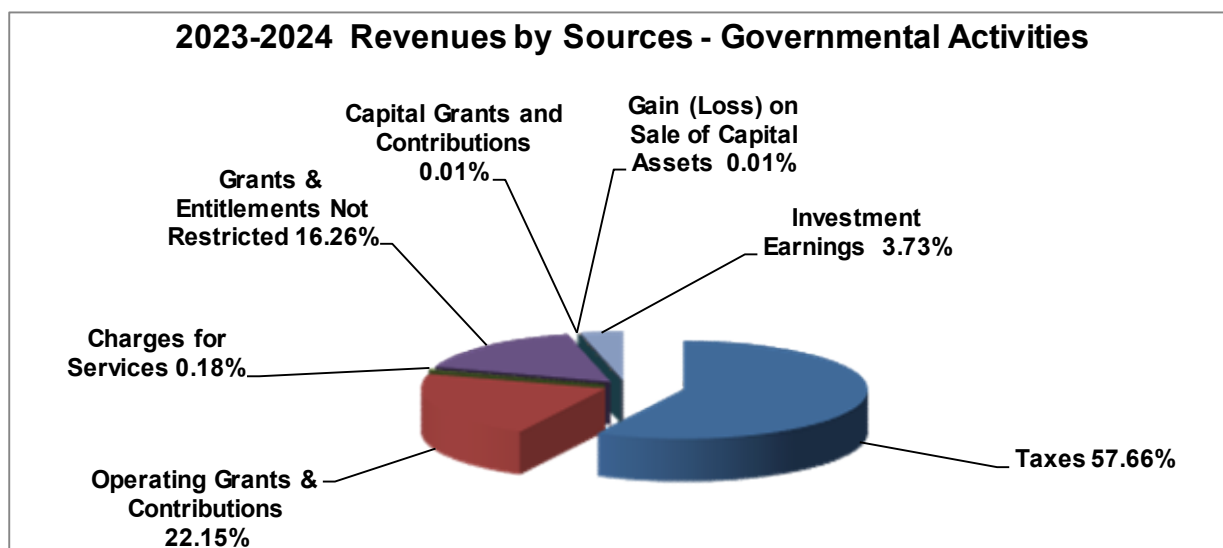
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in the future. Management of the District continues to aggressively implement cost 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.

**Donegal School District  
Management's Discussion and Analysis - Unaudited  
June 30, 2024**



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, 2024, the District's governmental funds reported a combined fund balance of \$38,684,347 which is an increase of \$4,358,899 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2024 and 2023 and the total 2024 change in governmental fund balances.

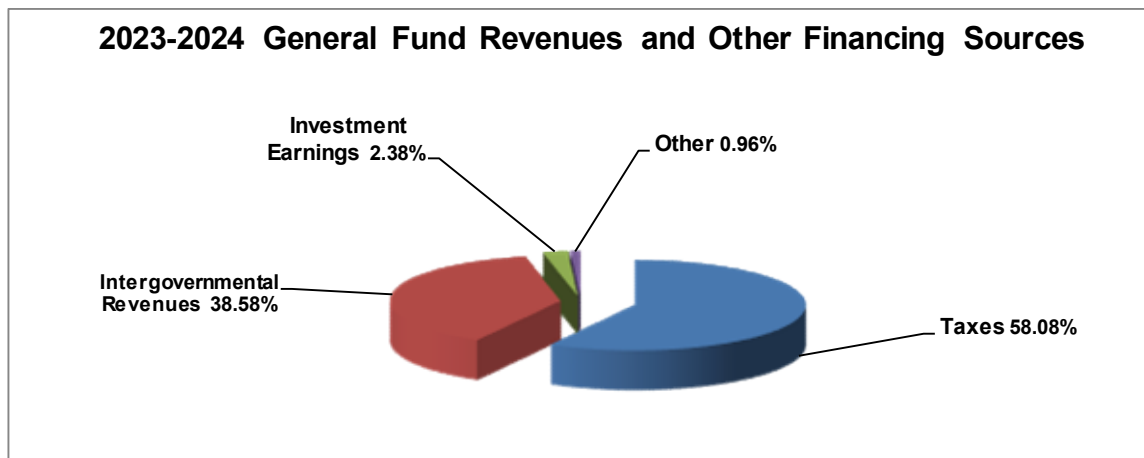
**Donegal School District  
Management's Discussion and Analysis - Unaudited  
June 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
General fund	\$ 18,778,622	\$ 17,183,939	\$ 1,594,683
Capital projects fund	10,104,799	10,926,413	(821,614)
Debt service fund	<u>9,800,926</u>	<u>6,215,096</u>	<u>3,585,830</u>
	<u>\$ 38,684,347</u>	<u>\$ 34,325,448</u>	<u>\$ 4,358,899</u>

**GENERAL FUND**

The General Fund is the District's primary operating fund. At the conclusion of the 2023-2024 fiscal year, the General Fund fund balance was \$18,778,622 representing an increase of \$1,594,683 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 2023-2024 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 58.08% of General Fund revenues are derived from local taxes.



**General Fund Revenues and Other Financing Sources**

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$ 35,693,906	\$ 35,190,079	\$ 503,827	1.43%
Intergovernmental revenues	23,709,599	22,681,779	1,027,820	4.53%
Investment earnings	1,462,063	874,667	587,396	67.16%
Other	<u>591,761</u>	<u>375,865</u>	<u>215,896</u>	<u>57.44%</u>
	<u>\$ 61,457,329</u>	<u>\$ 59,122,390</u>	<u>\$ 2,334,939</u>	<u>3.95%</u>

Net tax revenues increased by \$503,827 or 1.43% due to several factors. Compared to 2022-2023, the real estate millage increased by 0.50% and the taxable assessment increased by 1.17% with similar collection rates year over year. The following table summarizes changes in the District's tax revenues for 2023-2024 compared to 2022-2023:

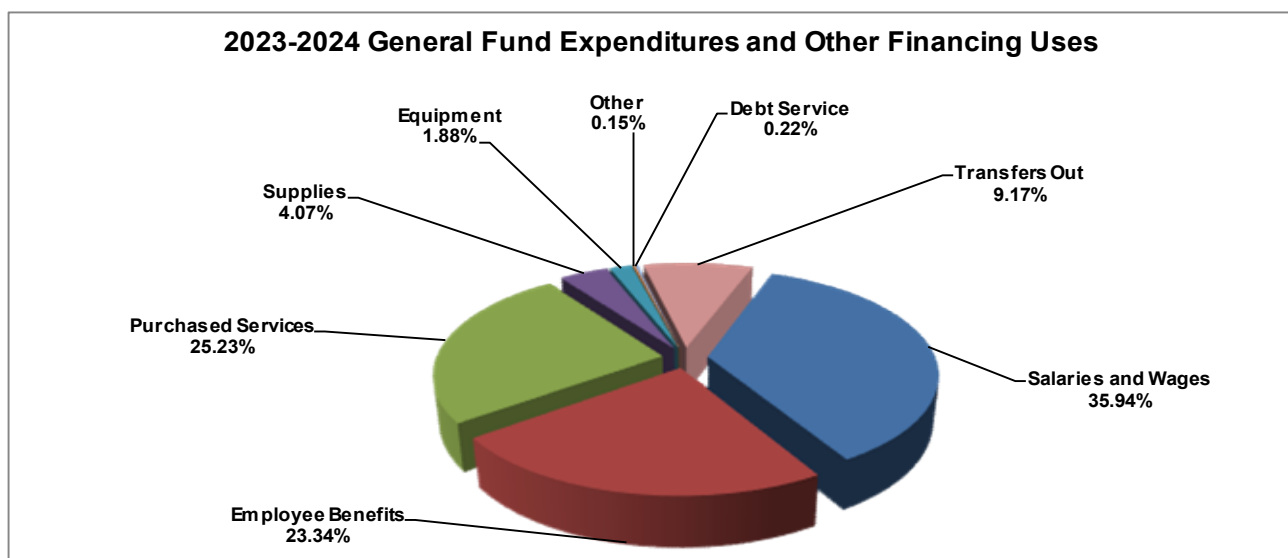
**Donegal School District  
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	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$ 30,694,567	\$ 30,283,560	\$ 411,007	1.36%
Interim tax	69,848	171,166	(101,318)	-59.19%
PURTA tax	31,196	33,031	(1,835)	-5.56%
Local services tax	29,920	45,836	(15,916)	-34.72%
Earned income tax	3,854,622	3,741,723	112,899	3.02%
Realty transfer tax	593,696	607,837	(14,141)	-2.33%
Delinquent real estate tax	420,057	306,926	113,131	36.86%
	<u>\$ 35,693,906</u>	<u>\$ 35,190,079</u>	<u>\$ 503,827</u>	<u>1.43%</u>

Intergovernmental revenues increased by \$1,027,820 or 4.34% during 2023-2024 compared to 2022-2023 resulting from an increase in its basic education and special education subsidies or 8.39% and 6.65% respectively.

Investment earnings increased significantly compared to the prior year due to an increase in 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.



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**General Fund Expenditures and Other Financing Uses**

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 21,517,227	\$ 20,714,014	\$ 803,213	3.88%
Employee benefits	13,972,393	13,982,393	(10,000)	-0.07%
Purchased services	15,106,303	13,413,710	1,692,593	12.62%
Supplies	2,433,975	2,010,747	423,228	21.05%
Equipment	1,125,354	1,231,270	(105,916)	-8.60%
Other	90,247	226,802	(136,555)	-60.21%
Debt service	130,431	132,479	(2,048)	-1.55%
Transfers out	<u>5,486,716</u>	<u>7,145,216</u>	<u>(1,658,500)</u>	<u>-23.21%</u>
	<u>\$ 59,862,646</u>	<u>\$ 58,856,631</u>	<u>\$ 1,006,015</u>	<u>1.71%</u>

Salaries and wages increased by \$803,213 or 3.88% during 2023-2024 compared to 2022-2023 due to contractual matrix and column movement increases for the professional staff.

Purchased services increased by \$1,692,593 or 12.62% in 2023-2024 compared to 2022-2023. The increase was mostly due to additional special education services provided by the Lancaster Lebanon I.U. 13 coupled with an increase for staffing services for both the professional staff and support staff positions due to the unfilled positions held by the District.

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 2023-2024, the Capital Projects Fund reported a decrease in fund balance of \$821,614 due to capital expenditures in excess of transfers from the General Fund and investment earnings. The remaining fund balance of \$10,104,799 as of June 30, 2024 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, 2024, the fund balance in the Debt Service Fund was \$9,800,926 and is restricted for future debt service expenditures.

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**GENERAL FUND BUDGET INFORMATION**

Actual revenues and other financing sources were \$1,731,525 more than budgeted amounts and actual expenditures and other financing uses were \$1,181,539 less than budgeted amounts resulting in a net positive variance of \$2,913,064. Major budgetary highlights for 2023-2024 were as follows:

Local source revenues were \$1,338,641 higher than budgeted amounts, resulting from higher than anticipated interest income and refunds of prior year expenditures.

State source revenues exceeded budgeted amounts by \$574,134 and federal source revenues were \$188,389 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 2023-2024 was less than the actual 8.39% increase in the basic education subsidy received. The negative variance in federal source revenue is due to less than anticipated appropriations for Medical ACCESS.

Transfers out were \$512,486 due to less than expected transfers to the Capital Projects Fund.

**BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND**

During 2023-2024, the net position of the business-type activities and Food Service Fund increased by \$240,566. As of June 30, 2024, the business-type activities and Food Service Fund had a net position of \$677,280.

**CAPITAL ASSETS**

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2024 amounted to \$68,868,436 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 \$1,661,111 or 2.36%. The decrease was the result of current year depreciation expense in excess of current year capital additions.

Current year capital additions were \$2,648,047 and depreciation expense was \$4,309,158. Major capital additions for the current year consisted of roofing projects at Donegal Junior High school, a new chiller at Donegal Primary School and chrome books.

**NONCURRENT LIABILITIES**

At the end of the current fiscal year, the District had total general obligation debt of \$32,420,767 consisting of \$3,90,000 in bonds payable, \$8,969,990 note payable, \$22,950,000 in qualified school construction bonds and net deferred credits of \$110,777. 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 \$1,027,558 or 3.07% 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 \$91,178,008 which exceeds the District's outstanding general obligation debt as of June 30, 2024.

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



## **Donegal School District Management's Discussion and Analysis - Unaudited June 30, 2024**

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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 \$60,679,422 as of June 30, 2024. The District's net pension liability decreased by \$584,697 or 0.95% 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 \$5,497,641 as of June 30, 2024. The District's net OPEB liability decreased by \$174,303 or 3.07% 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 \$1,850,105 as of June 30, 2024. These liabilities decreased by \$191,875 or 9.40% 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.

**Donegal School District  
Management's Discussion and Analysis - Unaudited  
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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 2024-2025 budget totaling \$61,878,222 which used \$1,956,000 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 1.00%. The District also budgeted to use \$1,104,310 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**  
**Statements of Net Position (Deficit)**  
**June 30, 2024 With Summarized Comparative Totals for 2023**

	Governmental Activities	Business-type Activities	Totals	
			2024	2023
<b>Assets and deferred outflows of resources</b>				
Current Assets				
Cash	\$ 27,240,113	\$ 1,763,426	\$ 29,003,539	\$ 12,937,324
Investments	6,361,896	-	6,361,896	19,938,025
Restricted assets:				
Cash held by fiscal agent	25,507	-	25,507	5,989
Investments held by fiscal agent	8,457,878	-	8,457,878	4,956,491
Taxes receivable	1,189,904	-	1,189,904	1,105,147
Due from other governments	3,189,963	16,686	3,206,649	2,922,617
Internal balances	25,449	(25,449)	-	-
Other receivables	316,447	20,630	337,077	976,297
Prepaid expenses	25,587	-	25,587	537,470
Inventories	-	97,738	97,738	84,230
Total current assets	<u>46,832,744</u>	<u>1,873,031</u>	<u>48,705,775</u>	<u>43,463,590</u>
Noncurrent assets				
Capital assets, net	<u>68,555,302</u>	<u>313,134</u>	<u>68,868,436</u>	<u>70,529,547</u>
Total assets	<u>115,388,046</u>	<u>2,186,165</u>	<u>117,574,211</u>	<u>113,993,137</u>
Deferred outflows of resources				
Deferred amounts on debt refunding	230,199	-	230,199	460,395
Deferred charges on proportionate share of pension - PSERS	9,651,326	261,313	9,912,639	9,183,392
Deferred charges OPEB - single employer	686,486	-	686,486	726,997
Deferred charges on proportionate share of OPEB - PSERS	<u>378,274</u>	<u>10,241</u>	<u>388,515</u>	<u>495,369</u>
Total deferred outflows of resources	<u>10,946,285</u>	<u>271,554</u>	<u>11,217,839</u>	<u>10,866,153</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>				
Current liabilities				
Accounts payable	2,118,865	6,406	2,125,271	1,610,313
Accrued salaries, payroll withholdings and benefits	5,240,460	5,672	5,246,132	4,999,285
Accrued interest payable	391,030	-	391,030	393,440
Unearned revenue	2,687	33,598	36,285	64,839
Other liabilities	<u>68,550</u>	<u>-</u>	<u>68,550</u>	<u>87,437</u>
Total current liabilities	<u>7,821,592</u>	<u>45,676</u>	<u>7,867,268</u>	<u>7,155,314</u>
Noncurrent liabilities				
Due within one year	1,183,839	-	1,183,839	1,140,329
Due in more than one year	<u>97,579,660</u>	<u>1,684,437</u>	<u>99,264,097</u>	<u>101,286,039</u>
Total noncurrent liabilities	<u>98,763,499</u>	<u>1,684,437</u>	<u>100,447,936</u>	<u>102,426,368</u>
Total liabilities	<u>106,585,091</u>	<u>1,730,113</u>	<u>108,315,204</u>	<u>109,581,682</u>
Deferred inflows of resources				
Deferred credits on proportionate share of pension - PSERS	1,331,936	36,064	1,368,000	2,013,000
Deferred credits OPEB - single employer	905,946	-	905,946	614,404
Deferred credits on proportionate share of OPEB - PSERS	<u>526,738</u>	<u>14,262</u>	<u>541,000</u>	<u>654,000</u>
Total deferred inflows of resources	<u>2,764,620</u>	<u>50,326</u>	<u>2,814,946</u>	<u>3,281,404</u>
Net position (deficit)				
Net investment in capital assets	35,884,553	313,134	36,197,687	37,100,824
Restricted	19,905,725	-	19,905,725	17,141,509
Unrestricted (deficit)	<u>(38,805,658)</u>	<u>364,146</u>	<u>(38,441,512)</u>	<u>(42,246,129)</u>
Total net position (deficit)	<u>\$ 16,984,620</u>	<u>\$ 677,280</u>	<u>\$ 17,661,900</u>	<u>\$ 11,996,204</u>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Statement of Activities**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2024	2023
<b>Governmental activities</b>								
Instruction	\$ 36,481,729	\$ 39,117	\$ 9,472,386	\$ -	\$ (26,970,226)	\$ -	\$ (26,970,226)	(26,048,736)
Instructional student support services	4,983,979	-	570,014	-	(4,413,965)	-	(4,413,965)	(4,076,753)
Administrative and financial support services	3,997,060	-	447,160	-	(3,549,900)	-	(3,549,900)	(3,625,837)
Operation and maintenance of plant services	5,276,730	26,946	367,564	-	(4,882,220)	-	(4,882,220)	(4,475,087)
Pupil transportation	3,213,097	-	1,020,205	-	(2,192,892)	-	(2,192,892)	(798,492)
Student activities	1,131,167	43,882	97,440	7,533	(982,312)	-	(982,312)	(942,677)
Community services	9,327	-	-	-	(9,327)	-	(9,327)	(5,425)
Interest and amortization expense related to noncurrent liabilities	1,444,284	-	1,748,378	-	304,094	-	304,094	309,056
Total governmental activities	56,537,373	109,945	13,723,147	7,533	(42,696,748)	-	(42,696,748)	(39,663,951)
<b>Business-type activities</b>								
Food service	2,552,349	806,739	1,903,032	-	-	157,422	157,422	380,099
Total primary government	\$ 59,089,722	\$ 916,684	\$ 15,626,179	\$ 7,533	(42,696,748)	157,422	(42,539,326)	(39,283,852)
<b>General revenues</b>								
Property taxes levied for general purposes					31,223,468	-	31,223,468	30,870,161
Earned income taxes levied for general purposes					3,854,622	-	3,854,622	3,741,722
Other taxes levied for general purposes					654,812	-	654,812	686,704
Grants and entitlements not restricted to specific programs					10,076,934	-	10,076,934	9,363,534
Investment earnings					2,309,906	78,141	2,388,047	1,208,371
Gain (loss) on sale of capital assets					7,139	-	7,139	(505,084)
<b>Transfers</b>					(5,003)	5,003	-	-
Total general revenues					48,121,878	83,144	48,205,022	45,365,408
Change in net position (deficit)					5,425,130	240,566	5,665,696	6,081,556
<b>Net position (deficit)</b>								
Beginning of year					11,559,490	436,714	11,996,204	5,914,648
End of year					\$ 16,984,620	\$ 677,280	\$ 17,661,900	\$ 11,996,204

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Balance Sheet – Governmental Funds**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	Major Funds			Totals	
	General	Capital	Debt	2024	2023
	Fund	Projects	Service		
		Fund	Fund		
<b>Assets</b>					
Cash	\$ 17,619,737	\$ 8,302,835	\$ 1,317,541	\$ 27,240,113	\$ 11,281,161
Investments	4,121,448	2,240,448	-	6,361,896	19,938,025
Restricted assets:					
Cash held by fiscal agent	-	-	25,507	25,507	5,989
Investments held by fiscal agent	-	-	8,457,878	8,457,878	4,956,491
Taxes receivable	1,189,904	-	-	1,189,904	1,105,147
Due from other funds	95,060	-	-	95,060	1,724,209
Due from other governments	2,820,441	-	-	2,820,441	2,489,511
Other receivables	316,447	-	-	316,447	970,757
Prepaid items	25,587	-	-	25,587	537,470
Total assets	<u>\$ 26,188,624</u>	<u>\$ 10,543,283</u>	<u>\$ 9,800,926</u>	<u>\$ 46,532,833</u>	<u>\$ 43,008,760</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,680,381	\$ 438,484	\$ -	\$ 2,118,865	\$ 1,590,636
Due to other funds	69,611	-	-	69,611	1,682,110
Accrued salaries, payroll withholdings and benefits	5,240,460	-	-	5,240,460	4,994,366
Unearned revenues	2,687	-	-	2,687	19,446
Other liabilities	68,550	-	-	68,550	87,437
Total liabilities	<u>7,061,689</u>	<u>438,484</u>	<u>-</u>	<u>7,500,173</u>	<u>8,373,995</u>
<b>Deferred inflows of resources</b>					
Unavailable revenues - property taxes	<u>348,313</u>	<u>-</u>	<u>-</u>	<u>348,313</u>	<u>309,317</u>
<b>Fund balances</b>					
Nonspendable					
Prepaid items	25,587	-	-	25,587	537,470
Restricted for					
Capital projects	-	10,104,799	-	10,104,799	10,407,450
Debt service	-	-	9,800,926	9,800,926	6,215,096
Assigned for					
Cyber school costs	1,600,000	-	-	1,600,000	1,600,000
Safety improvements	1,610,000	-	-	1,610,000	1,500,000
Supply chain disruptions	500,000	-	-	500,000	370,000
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	2,055,000
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	<u>4,948,035</u>	<u>-</u>	<u>-</u>	<u>4,948,035</u>	<u>3,600,432</u>
Total fund balances	<u>18,778,622</u>	<u>10,104,799</u>	<u>9,800,926</u>	<u>38,684,347</u>	<u>34,325,448</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,188,624</u>	<u>\$ 10,543,283</u>	<u>\$ 9,800,926</u>	<u>\$ 46,532,833</u>	<u>\$ 43,008,760</u>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of**  
**Governmental Activities on the Statement of Net Position (Deficit)**  
**Year Ended June 30, 2024**

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<b>Total governmental fund balances</b>	<b>\$ 38,684,347</b>
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	68,555,302
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).	230,199
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.	7,951,466
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.	348,313
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.	(98,763,499)
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.	<u>(391,030)</u>
<b>Net position (deficit) of governmental activities</b>	<b><u>\$ 16,984,620</u></b>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	Major Funds			Totals	
	General	Capital	Debt	2024	2023
	Fund	Projects	Service		
		Fund	Fund		
<b>Revenues</b>					
Local sources	\$ 37,877,646	\$ 509,080	\$ 338,764	\$ 38,725,490	\$ 36,884,078
State sources	19,035,734	-	-	19,035,734	18,089,815
Federal sources	4,536,810	-	-	4,536,810	4,441,422
Total revenues	<u>61,450,190</u>	<u>509,080</u>	<u>338,764</u>	<u>62,298,034</u>	<u>59,415,315</u>
<b>Expenditures</b>					
Current					
Instruction	36,260,104	-	-	36,260,104	35,092,262
Support services	17,023,568	212,268	-	17,235,836	15,605,826
Operation of noninstructional services	950,684	-	-	950,684	1,269,781
Facilities acquisition, construction and improvement services	-	1,330,694	-	1,330,694	2,218,960
Debt service	130,431	-	2,234,647	2,365,078	3,885,635
Total expenditures	<u>54,364,787</u>	<u>1,542,962</u>	<u>2,234,647</u>	<u>58,142,396</u>	<u>58,072,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,085,403</u>	<u>(1,033,882)</u>	<u>(1,895,883)</u>	<u>4,155,638</u>	<u>1,342,851</u>
<b>Other financing sources (uses)</b>					
Sale of/compensation for capital assets	7,139	-	-	7,139	1,900
Refund of prior year expenditures	(11,143)	-	-	(11,143)	-
Proceeds from right-to-use arrangements	-	212,268	-	212,268	388,933
Transfers in	-	-	5,481,713	5,481,713	7,137,628
Transfers out	(5,486,716)	-	-	(5,486,716)	(7,145,216)
Total other financing sources (uses)	<u>(5,490,720)</u>	<u>212,268</u>	<u>5,481,713</u>	<u>203,261.00</u>	<u>383,245.00</u>
Net change in fund balances	1,594,683	(821,614)	3,585,830	4,358,899	1,726,096
<b>Fund balances</b>					
Beginning of year	<u>17,183,939</u>	<u>10,926,413</u>	<u>6,215,096</u>	<u>34,325,448</u>	<u>32,599,352</u>
End of year	<u>\$ 18,778,622</u>	<u>\$ 10,104,799</u>	<u>\$ 9,800,926</u>	<u>\$ 38,684,347</u>	<u>\$ 34,325,448</u>

The Notes to Financial Statements are an integral part of these statements.

**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, 2024**

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**Net change in fund balances - governmental funds** **\$ 4,358,899**

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 exceeded capital outlays in the current period.

Capital outlay expenditures	2,561,190	
Depreciation expense	<u>(4,277,358)</u>	(1,716,168)

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, 2023	(309,317)	
Deferred inflows of resources June 30, 2024	<u>348,313</u>	38,996

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	900,010	
Proceeds from extended term financing	(212,268)	
Repayment of leases payable	73,770	
Repayment of subscriptions payable	99,110	
Amortization of discounts, premiums and deferred amounts on refunding	<u>(102,648)</u>	757,974

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	2,410	
Current year change in accrued retirement bonus	228,384	
Current year change in compensated absences	765	
Current year change in net pension liability - PSERS and deferred outflows and inflows	1,907,303	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(221,025)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>67,592</u>	<u>1,985,429</u>

Change in net position (deficit) of governmental activities \$ 5,425,130

The Notes to Financial Statements are an integral part of these statements.



**Donegal School District**  
**Statement of Net Position – Proprietary Fund**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	<b>Food Service Fund</b>	
	<b>2024</b>	<b>2023</b>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets		
Cash	\$ 1,763,426	\$ 1,656,163
Due from other governments	16,686	63,584
Due from other funds	69,611	42,110
Other receivables	20,630	5,540
Inventories	97,738	84,230
Total current assets	<u>1,968,091</u>	<u>1,851,627</u>
Noncurrent assets		
Capital assets, net	<u>313,134</u>	<u>258,077</u>
Total assets	<u>2,281,225</u>	<u>2,109,704</u>
Deferred outflows of resources		
Deferred charges on proportionate share of pension - PSERS	261,313	242,089
Deferred charges on proportionate share of OPEB - PSERS	<u>10,241</u>	<u>13,058</u>
Total deferred outflows of resources	<u>271,554</u>	<u>255,147</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>		
Liabilities		
Accounts payable	6,406	19,677
Due to other funds	95,060	84,209
Accrued salaries, payroll withholdings and benefits	5,672	4,919
Unearned revenue	<u>33,598</u>	<u>45,393</u>
Total current liabilities	<u>140,736</u>	<u>154,198</u>
Noncurrent liabilities		
Accrued retirement bonus	19,778	21,891
Net proportionate share of OPEB liability - PSERS	65,055	66,723
Net proportionate share of pension liability - PSERS	<u>1,599,604</u>	<u>1,615,018</u>
Total noncurrent liabilities	<u>1,684,437</u>	<u>1,703,632</u>
Total liabilities	<u>1,825,173</u>	<u>1,857,830</u>
Deferred inflows of resources		
Deferred credits on proportionate share of pension - PSERS	36,064	53,067
Deferred credits on proportionate share of OPEB - PSERS	<u>14,262</u>	<u>17,240</u>
Total deferred inflows of resources	<u>50,326</u>	<u>70,307</u>
Net Position		
Net investment in capital assets	313,134	258,077
Unrestricted	<u>364,146</u>	<u>178,637</u>
Total net position	<u>\$ 677,280</u>	<u>\$ 436,714</u>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Statement of Revenues, Expenses and Changes in Net Position –**  
**Proprietary Fund**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	<b>Food Service Fund</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating revenues</b>		
Charges for services	\$ 806,739	\$ 727,236
<b>Operating expenses</b>		
Salaries	603,689	563,979
Employee benefits	383,413	306,810
Purchased professional and technical services	32,781	41,388
Purchased property services	26,810	9,932
Supplies	1,469,836	1,172,658
Depreciation	31,800	29,130
Other operating expenses	4,020	4,564
Total operating expenses	<u>2,552,349</u>	<u>2,128,461</u>
Operating loss	<u>(1,745,610)</u>	<u>(1,401,225)</u>
<b>Nonoperating revenues</b>		
Earnings on investments	78,141	38,879
State sources	415,422	338,975
Federal sources	<u>1,487,610</u>	<u>1,442,349</u>
Total nonoperating revenues	<u>1,981,173</u>	<u>1,820,203</u>
Change in net position before transfers	235,563	418,978
Transfers in	<u>5,003</u>	<u>7,588</u>
Change in net position	240,566	426,566
<b>Net position</b>		
Beginning of year	<u>436,714</u>	<u>10,148</u>
End of year	<u>\$ 677,280</u>	<u>\$ 436,714</u>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Statement of Cash Flows – Proprietary Fund**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	<b>Food Service Fund</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Cash received from charges for services	\$ 779,854	\$ 724,281
Cash payments to employees for services	(1,053,579)	(945,742)
Cash payments to supplies for goods and services	(1,355,935)	(1,044,262)
Cash payments for other operating expenses	(4,020)	(4,564)
Net cash used in operating activities	<u>(1,633,680)</u>	<u>(1,270,287)</u>
<b>Noncapital financing activities</b>		
State sources	416,469	333,701
Federal sources	<u>1,333,190</u>	<u>1,209,514</u>
Net cash provided by noncapital financing activities	<u>1,749,659</u>	<u>1,543,215</u>
<b>Capital and related financing activities</b>		
Acquisition of capital assets	<u>(86,857)</u>	<u>(63,576)</u>
<b>Investing activities</b>		
Earnings on investments	<u>78,141</u>	<u>38,879</u>
Net change in cash	107,263	248,231
<b>Cash</b>		
Beginning of year	<u>1,656,163</u>	<u>1,407,932</u>
End of year	<u>\$ 1,763,426</u>	<u>\$ 1,656,163</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>		
Operating loss	\$ (1,745,610)	\$ (1,401,225)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	31,800	29,130
Donated commodities used	200,271	174,526
(Increase) decrease in		
Due from other funds	(22,498)	-
Other receivables	(15,090)	(5,514)
Inventories	(13,508)	(8,965)
Deferred outflows of resources	(16,407)	20,981
Increase (decrease) in		
Accounts payable	(13,271)	19,669
Due to other funds	10,851	(12,519)
Accrued salaries, payroll withholdings and benefits	753	1,130
Unearned revenue	(11,795)	(2,955)
Accrued retirement bonus	(2,113)	15,254
Net OPEB liability	(1,668)	(19,061)
Net pension liability	(15,414)	128,994
Deferred inflows of resources	<u>(19,981)</u>	<u>(209,732)</u>
Net cash used in operating activities	<u>\$ (1,633,680)</u>	<u>\$ (1,270,287)</u>
<b>Supplemental disclosure</b>		
<b>Noncash noncapital financing activity</b>		
USDA donated commodities	<u>\$ 200,271</u>	<u>\$ 174,526</u>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Statement of Net Position – Fiduciary Fund**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

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	<b>Custodial Fund</b>	
	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Cash	\$ 100,368	\$ 88,733
Receivables	3,036	-
	<u>103,404</u>	<u>88,733</u>
<b>Liabilities</b>		
Accounts payable	<u>11,937</u>	<u>8,687</u>
<b>Net position</b>		
Restricted for student activities	<u>\$ 91,467</u>	<u>\$ 80,046</u>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Statement of Changes in Net Position – Fiduciary Fund**  
**Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

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	<b>Custodial Fund</b>	
	<b>2024</b>	<b>2023</b>
<b>Additions</b>		
Interest income	\$ 3,148	\$ 1,771
Receipts from student groups	<u>144,534</u>	<u>112,920</u>
	<u>147,682</u>	<u>114,691</u>
 <b>Deductions</b>		
Student activity disbursements	<u>136,261</u>	<u>127,505</u>
 Change in net position	<u>11,421</u>	<u>(12,814)</u>
 <b>Net position</b>		
Beginning of year	<u>80,046</u>	<u>92,860</u>
 End of year	<u><u>\$ 91,467</u></u>	<u><u>\$ 80,046</u></u>

The Notes to Financial Statements are an integral part of these statements.

**Donegal School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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**1. ORGANIZATION AND PURPOSE**

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").

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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."

**Donegal School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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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.

**Donegal School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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*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.



**Donegal School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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**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 2023-2024 was 19.3737 mills (\$19.3737 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

**Donegal School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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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.

**Leases – Lessee**

The District has entered in noncancellable leases as the lessee. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**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, 2024.

**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.

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**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, 2023, 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, 2023, the District adopted the provisions of GASB Statement No. 100 *Accounting Changes and Error Corrections*.

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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. The implementation of GASB Statement No. 100 had no impact on the accompanying financial statements.

**New Accounting Pronouncements**

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.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the District for the year ended June 30, 2025. The objective of GASB Statement No. 102 is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 104 is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

**3. 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.

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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.

#### **4. 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, 2024, the carrying amount of the District's deposits was \$29,129,414 and the bank balance was \$29,244,855. 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, \$500,000 was covered by federal depository insurance and \$11,073,513 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, 2024, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

##### **Investments**

As of June 30, 2024, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$ 1,861,896	\$ 1,412,896	\$ 449,000	\$ -	\$ -
PSDLAF collateralized					
investment pools	4,500,000	4,500,000	-	-	-
U.S. Treasury and agency					
securities	8,457,878	-	4,784,185	3,673,693	-
	<u>\$ 14,819,774</u>	<u>\$ 5,912,896</u>	<u>\$ 5,233,185</u>	<u>\$ 3,673,693</u>	<u>\$ -</u>

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.

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**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, 2024.

**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 \$8,483,385 as of June 30, 2024.

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,403,584	\$ -	\$ -	\$ 1,403,584
Construction in progress	1,430,204	-	1,430,204	-
Total capital assets not being depreciated	<u>2,833,788</u>	<u>-</u>	<u>1,430,204</u>	<u>1,403,584</u>
Capital assets being depreciated				
Site improvements	11,241,996	154,301	-	11,396,297
Buildings and improvements	97,910,196	2,595,084	-	100,505,280
Furniture and equipment	15,366,344	919,460	-	16,285,804
Right-to-use lease assets	388,933	-	-	388,933
Right-to-use subscription assets	102,050	212,268	-	314,318
Vehicles	383,516	110,281	-	493,797
Total capital assets being depreciated	<u>125,393,035</u>	<u>3,991,394</u>	<u>-</u>	<u>129,384,429</u>
Less accumulated depreciation for				
Site improvements	(5,249,080)	(408,549)	-	(5,657,629)
Buildings and improvements	(41,763,906)	(2,663,309)	-	(44,427,215)
Furniture and equipment	(10,566,753)	(1,037,805)	-	(11,604,558)
Right-to-use lease assets	-	(77,916)	-	(77,916)
Right-to-use-subscription assets	(42,472)	(70,712)	-	(113,184)
Vehicles	(333,142)	(19,067)	-	(352,209)
Total accumulated depreciation	<u>(57,955,353)</u>	<u>(4,277,358)</u>	<u>-</u>	<u>(62,232,711)</u>
Total capital assets being depreciated, net	<u>67,437,682</u>	<u>(285,964)</u>	<u>-</u>	<u>67,151,718</u>
Governmental activities, net	<u>\$ 70,271,470</u>	<u>\$ (285,964)</u>	<u>\$ 1,430,204</u>	<u>\$ 68,555,302</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 1,438,143	\$ 86,857	\$ -	\$ 1,525,000
Less accumulated depreciation	(1,180,066)	(31,800)	-	(1,211,866)
Business-type activities, net	<u>\$ 258,077</u>	<u>\$ 55,057</u>	<u>\$ -</u>	<u>\$ 313,134</u>

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

**Governmental activities**

Instruction	\$ 2,741,005
Instructional student support	80,777
Administrative and financial support services	90,690
Operation and maintenance of plant services	1,089,007
Transportation services	16,031
Student activities	<u>259,848</u>
Total depreciation expense – governmental activities	<u>\$ 4,277,358</u>

**Business-type activities**

Food service	<u>\$ 31,800</u>
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**6. INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2024 is as follows:

<u>Receivable To</u>		<u>Payable From</u>	
General Fund	\$ 95,060	Food Service Fund	\$ 95,060
Food Service Fund	<u>69,611</u>	General Fund	<u>69,611</u>
	<u>\$ 164,671</u>		<u>\$ 164,671</u>

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, 2024 is as follows:

<u>Transfers In</u>		<u>Transfers Out</u>	
Food Service Fund	\$ 5,003	General Fund	\$ 5,003
Debt Service Fund	<u>5,481,713</u>	General Fund	<u>5,481,713</u>
	<u>\$ 5,486,716</u>		<u>\$ 5,486,716</u>

Transfers from the General Fund to the Capital Projects Fund and Food Service Fund represent transfers to subsidize costs associated with the acquisition of capital assets and food service operations.

**7. CHANGE IN NONCURRENT LIABILITIES**

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2024:



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	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Amount Due Within One Year
<b>Governmental activities</b>					
General obligation debt					
Bonds payable	\$ 1,060,000	\$ -	\$ 670,000	\$ 390,000	\$ 390,000
Note payable	9,200,000	-	230,010	8,969,990	545,000
Qualified school construction bonds	22,950,000	-	-	22,950,000	-
Bond premiums	274,530	-	137,263	137,267	137,263
Bond discounts	(36,205)	-	(9,715)	(26,490)	(9,715)
Total general obligation debt	<u>33,448,325</u>	<u>-</u>	<u>1,027,558</u>	<u>32,420,767</u>	<u>1,062,548</u>
Other noncurrent liabilities					
Accrued retirement bonus	1,461,764	-	228,384	1,233,380	-
Compensated absences	117,532	-	765	116,767	-
Leases payable	388,933	-	73,770	315,163	75,654
Subscriptions payable	51,860	212,268	99,110	165,018	45,637
OPEB liability	3,140,884	-	111,028	3,029,856	-
Net OPEB liability – PSERS	2,464,337	-	61,607	2,402,730	-
Net pension liability - PSERS	59,649,101	-	569,283	59,079,818	-
Total other noncurrent liabilities	<u>67,274,411</u>	<u>212,268</u>	<u>1,143,947</u>	<u>66,342,732</u>	<u>121,291</u>
Total governmental activities	<u>100,722,736</u>	<u>212,268</u>	<u>2,171,505</u>	<u>98,763,499</u>	<u>1,183,839</u>
<b>Business-type activities</b>					
Accrued retirement bonus	21,891	-	2,113	19,778	-
Net OPEB liability – PSERS	66,723	-	1,668	65,055	-
Net pension liability - PSERS	1,615,018	-	15,414	1,599,604	-
Total business-type activities	<u>1,703,632</u>	<u>-</u>	<u>19,195</u>	<u>1,684,437</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 102,426,368</u>	<u>\$ 212,268</u>	<u>\$ 2,190,700</u>	<u>\$ 100,447,936</u>	<u>\$ 1,183,839</u>

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.

**8. 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.

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General obligation debt outstanding as of June 30, 2024 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2017	0.95% - 5.00%	\$ 12,640,000	6/2/2025	<u>\$ 390,000</u>
<b>General obligation note</b>				
Series of 2020	1.58%	\$ 9,630,000	6/2/2030	<u>8,969,990</u>
<b>Qualified school construction bonds</b>				
Series of 2010A	5.00%	\$ 17,000,000	9/15/2027	17,000,000
Series of 2011C	5.088%	\$ 5,950,000	9/15/2029	<u>5,950,000</u>
Total qualified school construction bonds				<u>22,950,000</u>
Total general obligation debt				<u>\$ 32,309,990</u>

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2024	\$ 935,000	\$ 1,304,212	\$ 3,419,556	\$ 5,658,768
2025	950,000	1,285,851	3,419,556	5,655,407
2026	960,000	1,270,841	3,419,556	5,650,397
2027	17,995,000	830,673	(13,580,444)	5,245,229
2028	3,970,000	389,952	330,556	4,690,508
2029-2030	<u>7,499,990</u>	<u>175,858</u>	<u>(5,619,444)</u>	<u>2,056,404</u>
	<u>\$ 32,309,990</u>	<u>\$ 5,257,387</u>	<u>\$ (8,610,664)</u>	<u>\$ 28,956,713</u>

**9. 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, 2024, the value of the lease liability is \$315,163. 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, 2024 was \$311,017 net of accumulated amortization of \$113,184 and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 75,654	\$ 7,527	\$ 83,181
2026	77,708	5,473	83,181
2027	79,818	3,363	83,181
2028	<u>81,983</u>	<u>1,198</u>	<u>83,181</u>
	<u>\$ 315,163</u>	<u>\$ 17,561</u>	<u>\$ 332,724</u>

**Donegal School District**  
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**10. 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 \$314,138. As of June 30, 2024, the value of the subscription liabilities is \$165,018. The District is required to make annual fixed payments ranging from \$5,000 to \$27,250. The subscriptions payable have interest rates ranging from 0.315%-3.24% and a useful life of 3 years at contract commencement. The value of the right to use asset as of June 30, 2024, of \$141,588, net of accumulated amortization of \$113,184, and is included with noncurrent assets on the statement of net position (deficit).

The net present value of minimum non-cancelable lease payments under these lease agreements are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 45,637	\$ 2,613	\$ 48,250
2026	47,164	2,086	49,250
2027	41,706	1,544	43,250
2028	15,012	988	16,000
2028	15,499	501	16,000
	<u>\$ 165,018</u>	<u>\$ 7,732</u>	<u>\$ 172,750</u>

**11. 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](http://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.

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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:

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

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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, 2024 was 33.36% 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 \$7,161,639 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$60,679,422 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024, the District's proportion was 0.1364 percent, which was an decrease of 0.0014 percent from its proportion measured as of June 30, 2023. As of June 30, 2024, the net pension liability of \$59,079,818 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$1,599,604 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, 2024, the District recognized pension expense of \$5,209,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 14,000	\$ 831,000
Changes in assumptions	905,000	-
Net difference between projected and actual investment earnings	1,717,000	-
Changes in proportions	115,000	537,000
Contributions subsequent to the measurement date	7,161,639	-
	<u>\$ 9,912,639</u>	<u>\$ 1,368,000</u>

\$7,161,639 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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2025	\$ 433,000
2026	(1,290,000)
2027	1,668,000
2028	572,000
	<u>\$ 1,383,000</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2024 was determined by rolling forward PSERS's total pension liability as the June 30, 2022 actuarial valuation to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2022
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and as of June 30, 2023.
- 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, 2023 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.

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	30.00%	5.20%
Private equity	12.00%	7.90%
Fixed income	33.00%	3.20%
Commodities	7.50%	2.70%
Infrastructure/MLPs	10.00%	5.40%
Real estate	11.00%	5.70%
Absolute return	4.00%	4.10%
Cash	3.00%	1.20%
Leverage	(10.50%)	1.20%
	<u>100.00%</u>	

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, 2023.

**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%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$ 78,657,260</u>	<u>\$ 60,679,422</u>	<u>\$ 45,511,506</u>

**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](http://www.psers.state.pa.us).

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**12. 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, 2023:

Active participants	265
Retired participants	14
Vested former participants	-
Total	<u>279</u>

**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, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, and by rolling forward the liabilities from the July 1, 2023 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 \$3,029,856, all of which is unfunded. As of June 30, 2024, 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, 2024 was as follows:

<b>Balance as of July 1, 2022</b>	<u>\$ 3,140,884</u>
<b>Changes for the year</b>	
Service cost	209,695
Interest on total OPEB liability	133,807
Changes in benefit terms	(6,017)
Differences between expected and actual experience	24,449
Changes in assumptions	(371,741)
Benefit payments	<u>(101,221)</u>
Net changes	<u>(111,028)</u>
<b>Balance as of June 30, 2023</b>	<u>\$ 3,029,856</u>

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$323,964. At June 30, 2024, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:



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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 322,429	\$ 53,013
Changes in assumptions	261,118	852,933
Contributions subsequent to the measurement date	102,939	-
	<u>\$ 686,486</u>	<u>\$ 905,946</u>

\$102,939 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows at June 30:

2024	\$ (13,521)
2025	(13,521)
2026	(13,521)
2027	(13,521)
2028	(13,521)
Thereafter	(254,794)
	<u>\$ (322,399)</u>

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

The following presents the OPEB liability for June 30, 2024, 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:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	\$ 2,680,941	\$ 3,029,856	\$ 3,441,642

**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 4.13%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.13%) or 1 percentage point higher (5.13%) than the current rate:

	<u>Current Discount 1% Decrease 3.13%</u>	<u>Rate 4.13%</u>	<u>1% Increase 5.13%</u>
OPEB Liability	\$ 3,274,618	\$ 3,029,856	\$ 2,798,709

**Actuarial Methods and Significant Assumptions**

The OPEB Liability as of June 30, 2024, was determined by rolling forward the OPEB Liability as of July 1, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

**Donegal School District**  
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- Actuarial cost method - entry age normal
- Discount rate – 4.13% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 4.06% to 4.06%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.50% for real wage growth and 0.00% to 2.75% for merit or seniority increases for administrators and teachers.
- Assumed healthcare cost trends – 7.00% in 2023 with 0.50% decrease per year until 5.50% in 2026, gradually decreasing to 4.10% in 2075.
- PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers.  
PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

**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, 2023, 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.

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**Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$138,515 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$2,467,785 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024, the District's proportion was 0.1364 percent, which was a decrease of 0.0011 from its proportion measured as of June 30, 2023. As of June 30, 2024, the net OPEB liability of \$2,402,730 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$65,055 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, 2024, the District recognized OPEB expense of \$77,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ 16,000	\$ 24,000
Changes in assumptions	213,000	467,000
Net difference between projected and actual investment earnings	6,000	-
Changes in proportions	15,000	50,000
Contributions subsequent to the measurement date	138,515	-
	<b><u>\$ 388,515</u></b>	<b><u>\$ 541,000</u></b>

\$138,515 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (54,000)
2025	(64,000)
2026	(81,000)
2027	(84,000)
2028	(8,000)
	<b><u>\$ (291,000)</u></b>

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**Actuarial Assumptions**

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 4.13% - Standard & Poors 20-year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- 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.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.00%</u>	1.20%

**Donegal School District**  
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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, 2023.

**Discount Rate**

The discount rate used to measure the OPEB liability was 4.13%. 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 4.13% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2023, 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, 2023, 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, 2023, 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:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 2,467,552	\$ 2,467,784	\$ 2,467,971

**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 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.13%) or 1-percentage-point higher (5.13%) than the current rate:

	<u>Current Discount 1% Decrease 3.13%</u>	<u>Rate 4.13%</u>	<u>1% Increase 5.13%</u>
District's proportionate share of the net OPEB liability	\$ 2,790,119	\$ 2,467,784	\$ 2,197,969

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

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**13. 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 2023-2024 was \$736,537

*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 2023-2024 was \$50,609.

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 estimated lease rental obligations for minimum rental payments related to the issued debt are as follows at June 30:

2025	\$	50,991
2026		51,258
2027		50,908
2028		50,603
2029		50,613
2030-2034		250,595
2034-2037		<u>149,577</u>
	\$	<u>654,545</u>

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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 2023-2024, the District contracted with the LLIU for special education services which totaled \$3,636,586.

*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 2023-2024, 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 2023-2024, the District's portion of operating expenditures for the Bureau totaled \$52,609.

*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 2023-2024, the District's portion of operating expenditures for the Academy totaled \$36,715.

**14. COMMITMENT**

**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.

**Donegal School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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**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.

**15. 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, 2024 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Net self-insurance liability – beginning of year	\$ 463,802	\$ 292,440
Current year insurance claims and changes in estimates	4,507,181	4,454,374
Insurance claims paid	<u>(4,700,914)</u>	<u>(4,283,012)</u>
Net self-insurance liability – end of year	<u>\$ 270,069</u>	<u>\$ 463,802</u>

**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, 2024, 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, 2024, the District is not aware of any additional assessments relating to this Fund.



**Donegal School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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**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.

**16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 13, 2025, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2024 that required recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Donegal School District**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2024**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Local sources	\$ 36,507,235	\$ 36,539,005	\$ 37,877,646	\$ 1,338,641
State sources	18,461,600	18,461,600	19,035,734	574,134
Federal sources	4,756,969	4,725,199	4,536,810	(188,389)
Total revenues	<u>59,725,804</u>	<u>59,725,804</u>	<u>61,450,190</u>	<u>1,724,386</u>
<b>Expenditures</b>				
Instruction				
Regular programs	24,160,833	24,455,834	24,325,677	130,157
Special programs	11,529,167	10,581,167	11,061,229	(480,062)
Vocational programs	803,800	803,800	804,398	(598)
Other instructional programs	5,000	5,000	41,044	(36,044)
Nonpublic school programs	21,733	21,733	23,364	(1,631)
Higher education programs	-	-	4,392	(4,392)
Total instruction	<u>36,520,533</u>	<u>35,867,534</u>	<u>36,260,104</u>	<u>(392,570)</u>
Support services				
Pupil support services	2,354,469	2,354,469	2,486,566	(132,097)
Instructional staff services	2,170,246	2,170,246	2,116,959	53,287
Administrative services	2,960,411	2,959,511	3,028,209	(68,698)
Pupil health	551,187	551,187	570,934	(19,747)
Business services	552,064	551,214	517,210	34,004
Operation and maintenance of plant services	4,473,300	4,407,550	4,521,768	(114,218)
Student transportation services	2,224,256	3,054,256	3,199,472	(145,216)
Support services - central	599,706	599,205	562,164	37,041
Other support services	20,000	20,000	20,286	(286)
Total support services	<u>15,905,639</u>	<u>16,667,638</u>	<u>17,023,568</u>	<u>(355,930)</u>
Operation of noninstructional services				
Student activities	991,524	991,524	941,357	50,167
Community services	17,487	17,487	9,327	8,160
Total operation of noninstructional services	<u>1,009,011</u>	<u>1,009,011</u>	<u>950,684</u>	<u>58,327</u>
Debt service	-	-	130,431	(130,431)
Total expenditures	<u>53,435,183</u>	<u>53,544,183</u>	<u>54,364,787</u>	<u>(820,604)</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>6,290,621</u>	<u>6,181,621</u>	<u>7,085,403</u>	<u>903,782</u>
<b>Other financing sources (uses)</b>				
Sale of/compensation for capital assets	-	-	7,139	7,139
Refund of prior year receipts	-	-	(11,143)	(11,143)
Transfers out	(5,999,202)	(5,999,202)	(5,486,716)	512,486
Budgetary reserve	<u>(1,795,800)</u>	<u>(1,500,800)</u>	-	1,500,800
Total other financing sources (uses)	<u>(7,795,002)</u>	<u>(7,500,002)</u>	<u>(5,490,720)</u>	<u>2,009,282</u>
Net change in fund balance	<u>\$ (1,504,381)</u>	<u>\$ (1,318,381)</u>	1,594,683	<u>\$ 2,913,064</u>
<b>Fund balance</b>				
Beginning of year			<u>17,183,939</u>	
End of year			<u>\$ 18,778,622</u>	

See Independent Auditor's Report.

**Donegal School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS**  
**Years Ended June 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1364%	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	\$ 60,679,422	\$ 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	\$ 20,904,027	\$ 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	290.28%	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	61.85%	61.34%	63.67%	54.32%	55.56%	54.00%	52.00%	50.00%	54.00%	57.00%

See Independent Auditor's Report.

**Donegal School District**  
**Schedule of the District's Pension Plan Contributions - PSERS**  
**Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,161,639	\$ 7,144,647	\$ 6,866,469	\$ 6,526,401	\$ 6,442,000	\$ 6,287,443	\$ 5,872,766	\$ 5,308,972	\$ 4,354,741	\$ 3,313,332
Contributions in relation to the contractually required contribution	<u>\$ 7,161,639</u>	<u>\$ 7,144,647</u>	<u>\$ 6,866,469</u>	<u>\$ 6,526,401</u>	<u>\$ 6,442,000</u>	<u>\$ 6,287,443</u>	<u>\$ 5,872,766</u>	<u>\$ 5,308,972</u>	<u>\$ 4,354,741</u>	<u>\$ 3,313,332</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 21,642,969	\$ 20,904,027	\$ 20,213,585	\$ 19,457,244	\$ 19,358,860	\$ 19,358,860	\$ 18,642,249	\$ 18,483,584	\$ 17,709,675	\$ 17,235,638
Contributions as a percentage of covered-employee payroll	33.36%	34.18%	33.97%	33.54%	33.28%	32.48%	31.50%	28.72%	24.59%	19.22%

See Independent Auditor's Report.

**Donegal School District**  
**Schedule of Changes in OPEB Liability – Single Employer Plan**  
**Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>							
Service cost	\$ 209,695	\$ 270,150	\$ 260,589	\$ 192,109	\$ 200,861	\$ 189,190	\$ 162,439
Interest on total OPEB liability	133,807	81,016	60,106	89,276	79,171	77,572	49,351
Change in benefit terms	(6,017)	-	-	-	-	-	-
Differences between expected and actual experience	24,449	-	196,279	-	(86,148)	-	291,284
Changes of assumptions	(371,741)	(446,877)	(104,019)	333,014	(73,156)	1,106	59,868
Benefit payments	<u>(101,221)</u>	<u>(101,696)</u>	<u>(99,462)</u>	<u>(118,932)</u>	<u>(103,190)</u>	<u>(98,652)</u>	<u>(87,066)</u>
<b>Net change in total OPEB liability</b>	(111,028)	(197,407)	313,493	495,467	17,538	169,216	475,876
 Total OPEB liability, beginning of period	<u>3,140,884</u>	<u>3,338,291</u>	<u>3,024,798</u>	<u>2,529,331</u>	<u>2,511,793</u>	<u>2,342,577</u>	<u>1,866,701</u>
 Total OPEB liability, end of period	<u>\$ 3,029,856</u>	<u>\$ 3,140,884</u>	<u>\$ 3,338,291</u>	<u>\$ 3,024,798</u>	<u>\$ 2,529,331</u>	<u>\$ 2,511,793</u>	<u>\$ 2,342,577</u>
 Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
 Covered payroll	\$ 17,898,201	\$ 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	16.93%	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.

See Independent Auditor's Report.

**Donegal School District**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability - PSERS**  
**Years Ended June 30**

	Measurement Date						
	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.1364%	0.1375%	0.1373%	0.1380%	0.1404%	0.1384%	0.1388%
District's proportionate share of the net OPEB liability	\$ 2,467,784	\$ 2,531,060	\$ 3,254,124	\$ 2,981,762	\$ 2,986,086	\$ 2,885,569	\$ 2,827,928
District's covered-employee payroll	\$ 20,904,027	\$ 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	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	7.22%	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.

See Independent Auditor's Report.

**Donegal School District**  
**Schedule of the District's OPEB Plan Contributions - PSERS**  
**Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 138,515	\$ 155,984	\$ 160,563	\$ 159,769	\$ 162,458	\$ 160,858	\$ 154,626	\$ 153,455
Contributions in relation to the contractually required contribution	<u>\$ 138,515</u>	<u>\$ 155,984</u>	<u>\$ 160,563</u>	<u>\$ 159,769</u>	<u>\$ 162,458</u>	<u>\$ 160,858</u>	<u>\$ 154,626</u>	<u>\$ 153,455</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 21,642,969	\$ 20,904,027	\$ 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	0.64%	0.75%	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.

See Independent Auditor's Report.



## **SINGLE AUDIT**

**Donegal School District**  
**Schedule of Expenditures of Federal Awards and Certain State Grants**  
**Year Ended June 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2024</u>	<u>Passed Through To Subrecipients</u>
<u>U.S. Department of Education</u>											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-230119	07/01/22 - 09/30/23	\$ 502,856	\$ 107,755	\$ 107,755	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-240119	07/01/23 - 09/30/24	498,749	427,488	-	495,356	495,356	67,868	-
Total ALN #84.010						535,243	107,755	495,356	495,356	67,868	-
Title II - Improving Teacher Quality	I	84.367	020-230119	07/01/22 - 09/30/23	65,390	3,551	445	3,106	3,106	-	-
Title II - Improving Teacher Quality	I	84.367	020-240119	07/01/23 - 09/30/24	72,065	61,575	-	66,006	66,006	4,431	-
Total ALN #84.367						65,127	445	69,112	69,112	4,431	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220119	07/01/21 - 09/30/22	45,497	28	28	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-230119	07/01/22 - 09/30/23	46,419	5,358	3,872	1,046	1,046	(440)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-240119	07/01/23 - 09/30/24	39,366	39,366	-	37,119	37,119	(2,247)	-
Total ALN #84.424						44,752	3,900	38,165	38,165	(2,687)	-
COVID-19 ARP Act - ESSER III	I	84.425U	223-210119	03/13/20 - 09/30/24	4,518,825	2,136,172	180,151	1,956,021	1,956,021	-	-
COVID-19 ARP ESSER 7%	I	84.425U	225-210119	03/13/20 - 09/30/24	351,213	178,799	7,977	226,988	226,988	56,166	-
COVID-19 ARP ESSER Homeless Children & Youth	I	84.425W	181-212120	07/01/21 - 09/30/24	37,271	3,823	(1,500)	7,320	7,320	1,997	-
Total ALN # 84.425						2,318,794	186,628	2,190,329	2,190,329	58,163	-
Passed Through the Lancaster-Lebanon I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-240013	07/01/23 - 09/30/24	573,558	573,558	-	573,558	573,558	-	-
ARP ESSER III I.D.E.A. - Part B, Section 611	I	84.027	062-220013	07/01/21 - 09/30/23	107,266	63,392	-	63,392	63,392	-	-
Total ALN # 84.027						636,950	-	636,950	636,950	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-230013	07/01/22 - 06/30/23	1,284	1,284	1,284	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-240013	07/01/23 - 06/30/24	3,780	-	-	3,780	3,780	3,780	-
Total ALN # 84.027						1,284	1,284	3,780	3,780	3,780	-
Total U.S. Department of Education						3,602,150	300,012	3,433,692	3,433,692	131,555	-
<u>U.S. Department of Health and Social Services</u>											
Passed Through the Lancaster-Lebanon I.U.											
Medical Assistance Program	I	93.788	N/A	07/01/23 - 06/30/24	N/A	6,069	6,069	4,650	4,650	4,650	-
Total ALN #93.788						6,069	6,069	4,650	4,650	4,650	-

See Independent Auditor's Report.

**Donegal School District**  
**Schedule of Expenditures of Federal Awards and Certain State Grants**  
**Year Ended June 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2024</u>	<u>Passed Through To Subrecipients</u>
<u>U.S. Department of Agriculture</u>											
Passed-Through the Pennsylvania Department of Education											
State Matching Share	S	N/A	N/A	07/01/23 - 06/30/24	N/A	295,422	8,393	291,091	291,091	4,062	-
Total State Matching						295,422	8,393	291,091	291,091	4,062	-
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	6,603	6,603	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/23 - 06/30/24	N/A	345,526	-	350,929	350,929	5,403	-
Total ALN #10.553						352,129	6,603	350,929	350,929	5,403	-
Supply Chain Assistance	I	10.555	N/A	07/01/23 - 09/30/24	N/A	69,674	-	69,674	69,674	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	13,610	13,610	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/23 - 06/30/24	N/A	827,406	-	834,461	834,461	7,055	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/23 - 06/30/24	N/A	190,567	(16,342)	200,271	200,271	(6,639)	-
Total ALN #10.555						1,101,258	(2,732)	1,104,406	1,104,406	417	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/23 - 06/30/24	N/A	5,763	-	5,763	5,763	-	-
Total U.S. Department of Agriculture						1,754,571	12,264	1,752,189	1,752,189	9,881	-
Total Federal awards and certain State grants						\$ 5,362,790	\$ 318,345	\$ 5,190,531	\$ 5,190,531	\$ 146,086	\$ -
Total Federal Awards						\$ 5,067,368	\$ 309,952	\$ 4,899,440	\$ 4,899,440	\$ 142,024	\$ -
Total State Awards						295,422	8,393	291,091	291,091	4,062	-
Total Federal awards and certain State grants						\$ 5,362,790	\$ 318,345	\$ 5,190,531	\$ 5,190,531	\$ 146,086	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 638,234	\$ 1,284	\$ 640,730	\$ 640,730	\$ 3,780	\$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						\$ 1,453,386	\$ 3,871	\$ 1,455,335	\$ 1,455,335	\$ 5,820	\$ -

Source Codes

ALN - Assistance Listing Number

D - Direct Funding

I - Indirect Funding

S - State Funding

See Independent Auditor's Report.

**Donegal School District**  
**Notes to Schedule of Expenditures of Federal Awards and Certain State Grants**  
**Year Ended June 30, 2024**

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**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 ALN #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2023-2024 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, 2024 was \$50,000.

**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, 2024 was \$1,074,980.

**6. INDIRECT COSTS**

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

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

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of School Directors of  
Donegal School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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, 2024, 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 February 13, 2025.

#### **Report on 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.

#### **Report on 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.

A handwritten signature in blue ink that reads 'Withum Smith & Brown, PC'.

February 13, 2025

## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors of  
Donegal School District:

#### 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, 2024. 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, 2024.

##### 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

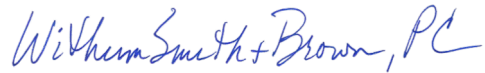
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

February 13, 2025

**Donegal School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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**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 programs tested as major programs were:  
  
    Child Nutrition Cluster:  
    Breakfast Program – Assistance Listing Number 10.553  
    National School Lunch Program – Assistance Listing Number 10.555
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.

**Summary Schedule of Prior Year Audit Findings**

None.

See Independent Auditor's Report.