



**Dallas School District  
Dallas, Pennsylvania  
Luzerne County**

Financial Statements  
Year Ended June 30, 2023



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Philadelphia, PA 19103

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# DALLAS SCHOOL DISTRICT

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DALLAS SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Dallas School District  
Dallas, Pennsylvania**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dallas School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Dallas 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 Dallas School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dallas 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 Dallas 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 Dallas 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 Dallas School District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 14 and 47 through 52 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.

## **Report on Summarized Comparative Information**

We have previously audited Dallas School District's 2022 financial statements, and our report dated March 23, 2023 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas 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 March 19, 2024, on our consideration of Dallas 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 Dallas School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania**  
**March 19, 2024**

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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

### DISTRICT PROFILE

The District consists of four schools – a primary school, an intermediate school, a middle school and a high school consisting of approximately 2,400 students. The District encompasses the municipal subdivisions of the Borough of Dallas and the Townships of Dallas, Franklin and Kingston in Luzerne County Pennsylvania and covers approximately 46.1 square miles. The area comprised of these four municipalities is known locally as the Back Mountain and through the years has gained the reputation of a prestigious residential area. The District is located in the north central section of Luzerne County, Pennsylvania, about ten miles northwest of the City of Wilkes Barre. There are approximately 313 full and part-time employees in the District including 181 instructional staff, 12 administrators and 120 support staff.

The mission of the District is to provide excellence in education to enable all students to learn, lead, achieve and succeed.

### FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and the deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit of total net position at the close of the 2022-2023 fiscal year of \$50,918,574. During the 2022-2023 fiscal year, the District had a decrease in total net position of \$3,571,607. The net position of governmental activities decreased by \$3,612,543 and the net position of the business-type activities increased by \$40,936.
- The General Fund reported a decrease in fund balance of \$4,673,386, bringing the cumulative balance to a deficit of \$1,866,035 at the conclusion of the 2022-2023 fiscal year.
- At June 30, 2023, the General Fund fund balance is comprised of an unassigned deficit of \$1,866,035 or (4.19%) of the \$44,566,684 2023-2024 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.

### 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 (deficit). 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.

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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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 15 and 16 of this report.

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

The District maintains two 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 17 through 20 of this report.

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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### **Proprietary Funds**

The District maintains two types of proprietary funds. 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. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its internal service fund to account for the District's self-funded healthcare plan. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund.

The proprietary fund financial statements can be found on Pages 21 through 23 of this report.

### **Fiduciary Funds**

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. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are 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 Pages 24 and 25 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 26 through 46 of this report.

### **Other Information**

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

The required supplementary information can be found on Pages 47 through 52 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 position. At the close of the 2022-2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$50,918,574. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2023 and 2022.

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>ASSETS</b>						
Current assets	\$ 5,744,029	\$ 10,612,973	\$594,117	\$586,979	\$ 6,338,146	\$ 11,199,952
Noncurrent assets	65,025,098	67,395,932	53,538	7,102	65,078,636	67,403,034
<b>Total assets</b>	<u>70,769,127</u>	<u>78,008,905</u>	<u>647,655</u>	<u>594,081</u>	<u>71,416,782</u>	<u>78,602,986</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	12,998,755	15,339,520	-	-	12,998,755	15,339,520
<b>LIABILITIES</b>						
Current liabilities	7,615,450	8,397,680	117,510	104,872	7,732,960	8,502,552
Noncurrent liabilities	125,072,726	123,580,330	-	-	125,072,726	123,580,330
<b>Total liabilities</b>	<u>132,688,176</u>	<u>131,978,010</u>	<u>117,510</u>	<u>104,872</u>	<u>132,805,686</u>	<u>132,082,882</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	2,528,425	9,206,591	-	-	2,528,425	9,206,591
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	2,614,932	2,107,434	53,538	7,102	2,668,470	2,114,536
Restricted	51,830	50,753	-	-	51,830	50,753
Unrestricted	(54,115,481)	(49,994,363)	476,607	482,107	(53,638,874)	(49,512,256)
<b>Total net position (deficit)</b>	<u>\$ (51,448,719)</u>	<u>\$ (47,836,176)</u>	<u>\$530,145</u>	<u>\$489,209</u>	<u>\$ (50,918,574)</u>	<u>\$ (47,346,967)</u>

The District's total assets as of June 30, 2023 were \$71,416,782 of which \$1,917,498 or 2.68% consisted of cash and \$65,078,636 or 91.13% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2023 were \$132,805,686 of which \$61,828,416 or 46.56% consisted of general obligation debt used to acquire and construct capital assets and \$54,417,476 or 40.98% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$53,638,874 at June 30, 2023. The District's unrestricted net position decreased by \$4,126,618 primarily due to the results of current year operations.

A portion of the District's net position reflects its restricted net position which totaled \$51,830 as of June 30, 2023. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net assets reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2023, the District's net investment in capital assets increased by \$553,934 because capital assets were acquired with funding sources other than long-term debt.

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

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

	Governmental Activities		Business-Type Activities		Totals	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 28,880	\$ 50,816	\$415,889	\$ 119,867	\$ 444,769	\$ 170,683
Operating grants and contributions	10,166,345	11,087,629	543,652	1,346,001	10,709,997	12,433,630
<b>General revenues</b>						
Property taxes levied for general purposes	22,094,422	22,143,993	-	-	22,094,422	22,143,993
Earned income taxes levied for general purposes	3,852,829	3,537,972	-	-	3,852,829	3,537,972
Other taxes levied for general purposes	660,454	704,819	-	-	660,454	704,819
Grants and entitlements not restricted to specific programs	7,011,952	6,550,891	-	-	7,011,952	6,550,891
Investment earnings	164,724	15,793	2,258	121	166,982	15,914
<b>Total revenues</b>	<u>43,979,606</u>	<u>44,091,913</u>	<u>961,799</u>	<u>1,465,989</u>	<u>44,941,405</u>	<u>45,557,902</u>
<b>EXPENSES</b>						
Instruction	31,715,457	29,945,412	-	-	31,715,457	29,945,412
Instructional student support services	2,374,127	2,246,898	-	-	2,374,127	2,246,898
Administrative and financial support services	3,545,424	3,518,112	-	-	3,545,424	3,518,112
Operation and maintenance of plant services	4,430,729	4,375,178	-	-	4,430,729	4,375,178
Pupil transportation	2,238,699	1,916,150	-	-	2,238,699	1,916,150
Student activities	1,231,027	1,325,856	-	-	1,231,027	1,325,856
Community services	-	9,400	-	-	-	9,400
Interest and amortization expense related to noncurrent liabilities	2,056,686	2,106,239	-	-	2,056,686	2,106,239
Food service	-	-	920,863	984,977	920,863	984,977
<b>Total expenses</b>	<u>47,592,149</u>	<u>45,443,245</u>	<u>920,863</u>	<u>984,977</u>	<u>48,513,012</u>	<u>46,428,222</u>
<b>CHANGE IN NET POSITION (DEFICIT) BEFORE TRANSFERS</b>	(3,612,543)	(1,351,332)	40,936	481,012	(3,571,607)	(870,320)
<b>TRANSFERS</b>	-	(100,702)	-	100,702	-	-
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>\$ (3,612,543)</u>	<u>\$ (1,452,034)</u>	<u>\$ 40,936</u>	<u>\$ 581,714</u>	<u>\$ (3,571,607)</u>	<u>\$ (870,320)</u>

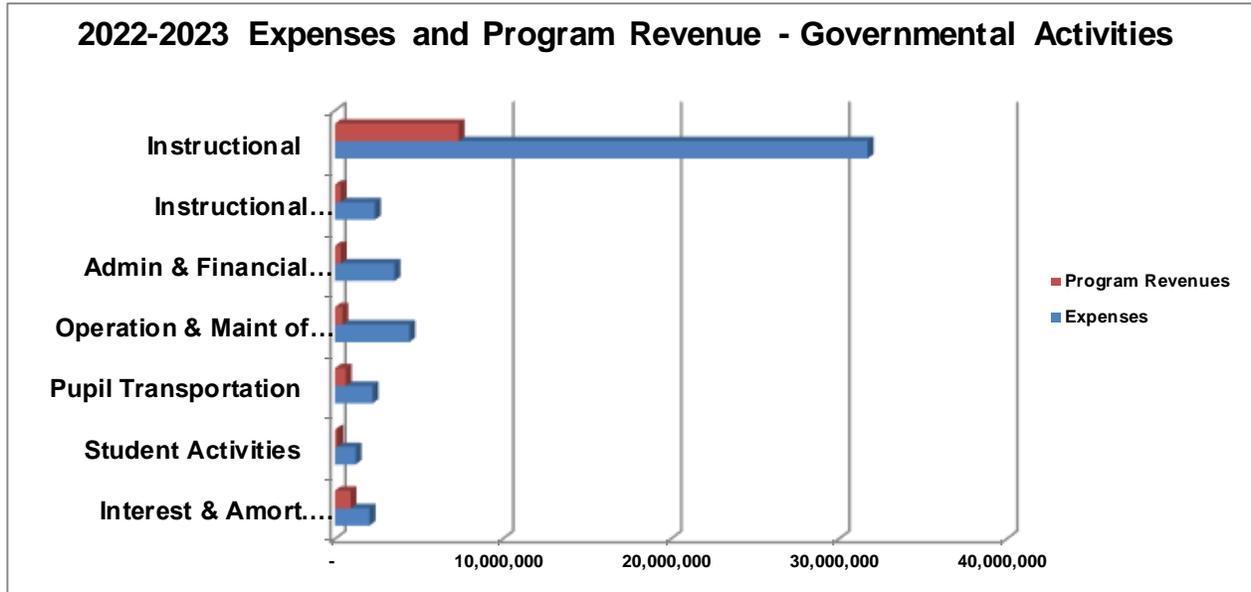
Overall, the District's financial position has been improving, but challenges such as increased medical costs and pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively 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 whose growth has slowed in recent years. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

# DALLAS SCHOOL DISTRICT

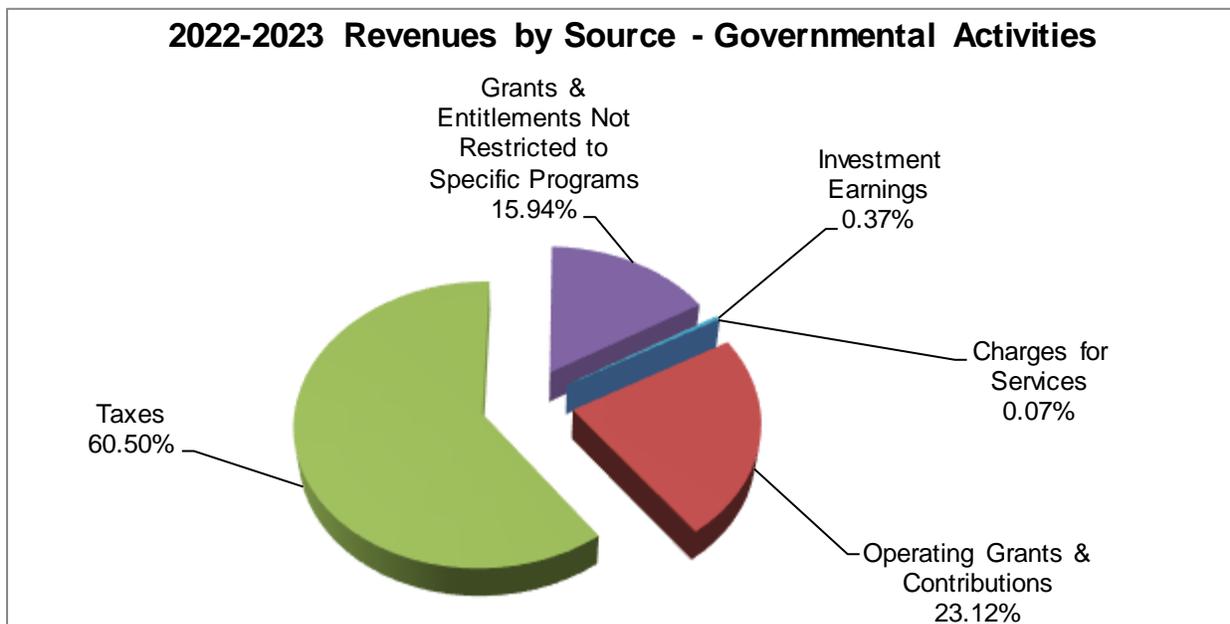
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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



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



# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

### GOVERNMENTAL FUNDS

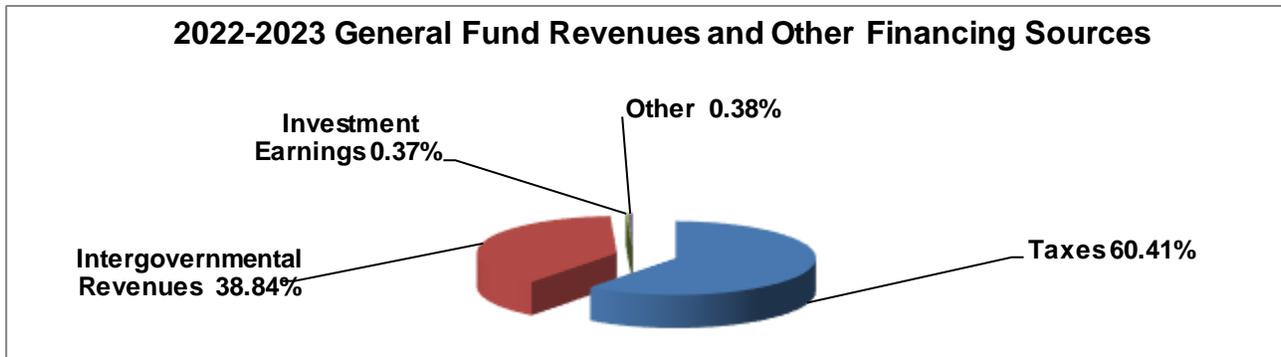
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined deficit fund balance of \$1,814,205 which is a decrease of \$4,672,309 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General Fund	\$(1,866,035)	\$2,807,351	\$(4,673,386)
Capital Projects Fund	<u>51,830</u>	<u>50,753</u>	<u>1,077</u>
	<u>\$(1,814,205)</u>	<u>\$2,858,104</u>	<u>\$(4,672,309)</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was a deficit of \$1,866,035 representing a decrease of \$4,673,386 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 60.41% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$26,715,956	\$26,287,643	\$ 428,313	1.63
Intergovernmental revenues	17,178,296	17,638,519	(460,223)	(2.61)
Investment earnings	162,608	15,053	147,555	980.24
Other	<u>170,747</u>	<u>122,152</u>	<u>48,595</u>	<u>39.78</u>
	<u>\$44,227,607</u>	<u>\$44,063,367</u>	<u>\$ 164,240</u>	<u>0.37</u>

Tax revenues increased by \$428,313 or 1.63% due to an increase in earned income taxes and delinquent real estate tax collections.

Intergovernmental revenues decreased primarily due to fewer federal funds passing through to the District than the prior year.

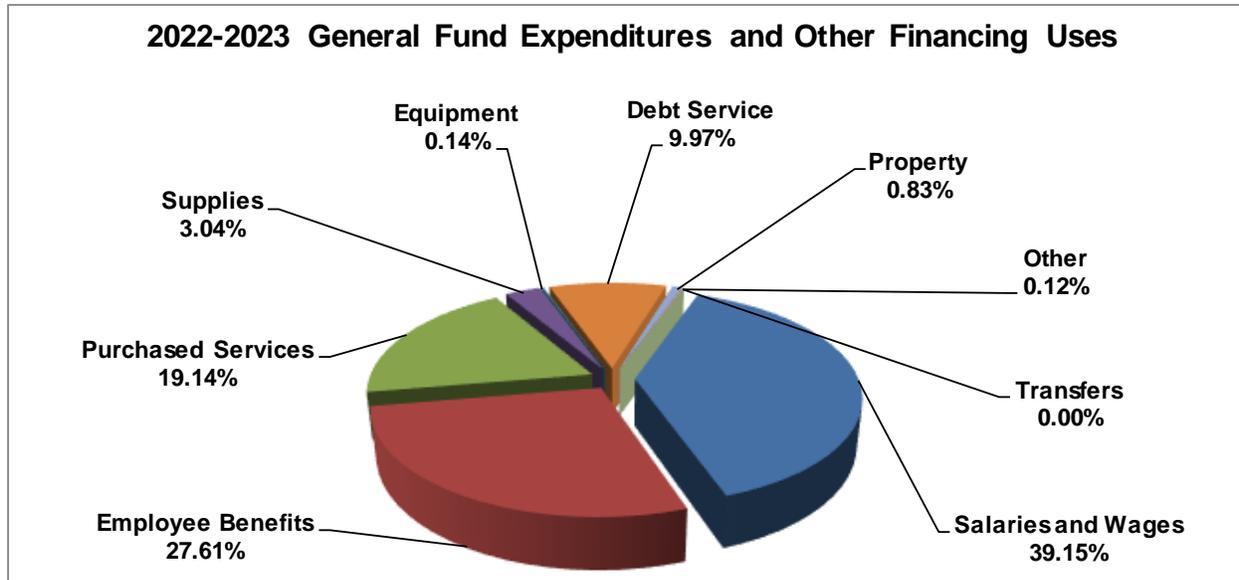
Investment earnings increased due to a significant increase in interest rates in the current fiscal year.

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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



### General Fund Expenditures and Other Financing Uses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$19,146,565	\$18,322,319	\$ 824,246	4.50
Employee benefits	13,502,595	12,520,453	982,142	7.84
Purchased services	9,359,590	8,360,456	999,134	11.95
Supplies	1,486,021	1,435,641	50,380	3.51
Equipment	69,115	217,011	(147,896)	(68.15)
Other	56,822	471,179	(414,357)	(87.94)
Debt service	4,875,645	4,627,970	247,675	5.35
Property	404,640	201,391	203,249	100.92
Transfers out	-	100,702	(100,702)	(100.00)
	<u>\$48,900,993</u>	<u>\$46,257,122</u>	<u>\$2,643,871</u>	<u>5.72</u>

Salaries and wages increased by \$824,246 or 4.50% in 2022-2023 compared to 2021-2022 as a result of scheduled salary increases within the District's collective bargaining agreements negotiated with the various employee groups.

Employee benefits increased by \$982,142 or 7.84% primarily related to increased medical costs associated with the district's self-insurance program.

Purchased services increased by \$999,134 or 11.95% during 2022-2023 compared to 2021-2022 primarily related to higher special education tuition and contracted transportation services.

Equipment costs decreased in the current year due to fewer computer and data processing equipment purchases.

Other expenditures decreased by \$414,357 or 87.94% related to fewer refunds of prior year receipts.

Debt service expenditures increased in connection with changes in debt service maturities.

Property expenditures increased in 2022-2023 due to the pool dehumidification project.

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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Transfers out in 2021-2022 includes the transfer of funds to the District's Food Service Fund, while there were no transfers in 2022-2023.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022-2023, the Capital Projects Fund reported an increase in its fund balance of \$1,077 due to current year capital outlays. As of June 30, 2023, the Capital Projects Fund had a fund balance of \$51,830 which is restricted for capital expenditures.

### GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Budgeted amounts in the General Fund used \$636,734 as of June 30, 2022 to balance the 2022-2023 General Fund budget. Actual results during the 2022-2023 fiscal year resulted in a decrease of \$4,673,386 for an unfavorable variance of \$4,036,652. Total General Fund revenues were \$411,583 or 0.94% more than budgeted amounts and total General Fund expenditures and other financing uses were \$4,448,235 or 10.01% more than budgeted amounts. Major budgetary highlights for 2022-2023 were as follows:

- Special education costs were more than \$1.6 million over anticipated due to multiple factors including but not limited to outside placements, contracted services as well as tuition to other schools.
- Healthcare increased more than anticipated by over \$1.2 million (mainly overall healthcare inflation accompanied with a few catastrophic claims that are capped at \$165,000 per claimant by stop-loss insurance).
- Cyber charter school tuition also increased by over \$720,000 - other areas of increase include staff salaries of replacement educators greater than anticipated.

### BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2022-2023, the net position of the business-type activities and Food Service Fund increased by \$40,936. As of June 30, 2023, the business-type activities and Food Service Fund had net position of \$530,145.

### CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$65,078,636 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and right-to-use lease equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$2,324,398 or 3.45%. The decrease was the result of current year depreciation expense in excess of capital additions. Current year capital additions were \$698,129 and depreciation expense was \$3,022,527. The major capital additions for 2022-2023 were related to the pool dehumidification project and IT equipment.

### NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$61,828,416 consisting of \$56,465,000 in bonds payable, \$956,197 in notes payable and net deferred credits of \$4,407,219. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$2,883,490 or 4.46% during the fiscal year.

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# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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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 District's outstanding general obligation debt of \$61,828,416 is within the current debt limitation of the District which was \$96,211,162 as of June 30, 2023.

The District maintains an A3 rating from Moody's Investors Service.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**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 \$54,417,476 as of June 30, 2023. The District's net pension liability increased by \$4,697,776 or 9.45% 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 OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$7,529,564 as of June 30, 2023. The District's OPEB liability decreased by \$340,693 or 4.33% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for leases payable and compensated absences, which totaled \$1,297,270 as of June 30, 2023. These liabilities increased by \$18,803 or 1.47% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District adopted a balanced 2023-2024 budget totaling \$44,566,684 which used \$635,811 of General Fund fund balance as of June 30, 2023 to balance the 2023-2024 budget and the real estate tax millage remained unchanged at 13.6338 mills.
- The District is anticipating a moderate decrease in enrollment over the next several fiscal years.
- The collective bargaining agreement with the Dallas Education Association was extended until August 31, 2026, while the collective bargaining agreement with the Dallas Educational Support Personnel Association expires at the conclusion of the 2025-2026 school year.
- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to either change their taxing strategies to make up for the shortfall of increased real estate tax refunds or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
  - ◆ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (4.80% for Dallas School District for 2023-2024), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.

# DALLAS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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- ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
- ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders.
- In November 2010, and again in 2017, legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 law took effect July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. The new legislation does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. Currently, the employer contribution rate for 2023-2024 is 34.00% which is a decrease of 3.57% from the 2022-2023 employer contribution rate of 35.26%.
- The District is in the process of reducing costs and increasing revenues. It is anticipated that after 5 years of no tax increases, an increase will be inevitable for the 2024-2025 school year. Our Act 1 Index is 6.3% for 2024-2025. Additionally, healthcare costs (mainly our pharmaceutical costs) are expected to decrease due to a new pharmacy purchasing coalition. It should also be noted that we anticipate more than 10 full-time retirees that should allow for some modifications to adjust to a reduced district enrollment.

### 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 Business Manager, Dallas School District, P.O. Box 2000, Dallas, Pennsylvania 18612.

# DALLAS SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023 with summarized comparative totals for 2022

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,668,420	\$ 249,078	\$ 1,917,498	\$ 5,368,809
Taxes receivable	1,434,417	-	1,434,417	1,500,448
Due from other governments	2,966,961	-	2,966,961	3,674,712
Internal balances	(326,569)	326,569	-	-
Other receivables	800	-	800	640,651
Inventories	-	18,470	18,470	15,332
<b>Total current assets</b>	<b>5,744,029</b>	<b>594,117</b>	<b>6,338,146</b>	<b>11,199,952</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	65,025,098	53,538	65,078,636	67,403,034
<b>Total assets</b>	<b>70,769,127</b>	<b>647,655</b>	<b>71,416,782</b>	<b>78,602,986</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on debt refunding	904,430	-	904,430	986,651
Deferred charges on proportionate share of pension - PSERS	9,964,485	-	9,964,485	12,037,239
Deferred charges OPEB - single employer	1,493,479	-	1,493,479	1,585,199
Deferred charges on proportionate share of OPEB - PSERS	636,361	-	636,361	730,431
<b>Total deferred outflows of resources</b>	<b>12,998,755</b>	<b>-</b>	<b>12,998,755</b>	<b>15,339,520</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	1,443,690	108,154	1,551,844	1,666,194
Accrued salaries, payroll withholdings and benefits	5,254,141	-	5,254,141	5,365,972
Insurance claims payable	241,043	-	241,043	759,811
Accrued interest payable	676,576	-	676,576	694,266
Unearned revenues	-	9,356	9,356	16,309
<b>Total current liabilities</b>	<b>7,615,450</b>	<b>117,510</b>	<b>7,732,960</b>	<b>8,502,552</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	3,374,820	-	3,374,820	3,061,666
Due in more than one year	121,697,906	-	121,697,906	120,518,664
<b>Total noncurrent liabilities</b>	<b>125,072,726</b>	<b>-</b>	<b>125,072,726</b>	<b>123,580,330</b>
<b>Total liabilities</b>	<b>132,688,176</b>	<b>117,510</b>	<b>132,805,686</b>	<b>132,082,882</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits on proportionate share of pension - PSERS	1,394,000	-	1,394,000	8,567,000
Deferred credits OPEB - single employer	556,425	-	556,425	545,591
Deferred credits on proportionate share of OPEB - PSERS	578,000	-	578,000	94,000
<b>Total deferred inflows of resources</b>	<b>2,528,425</b>	<b>-</b>	<b>2,528,425</b>	<b>9,206,591</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	2,614,932	53,538	2,668,470	2,114,536
Restricted	51,830	-	51,830	50,753
Unrestricted (deficit)	(54,115,481)	476,607	(53,638,874)	(49,512,256)
<b>Total net position (deficit)</b>	<b>\$ (51,448,719)</b>	<b>\$ 530,145</b>	<b>\$ (50,918,574)</b>	<b>\$ (47,346,967)</b>

See accompanying notes

# DALLAS SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities	Totals	
		Services	Contributions	Contributions			2023	2022
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 31,715,457	\$ 427	\$ 7,361,939	\$ -	\$ (24,353,091)	\$ -	\$ (24,353,091)	\$ (21,500,848)
Instructional student support services	2,374,127	-	329,070	-	(2,045,057)	-	(2,045,057)	(1,972,993)
Administrative and financial support services	3,545,424	-	347,145	-	(3,198,279)	-	(3,198,279)	(3,176,060)
Operation and maintenance of plant services	4,430,729	-	441,644	-	(3,989,085)	-	(3,989,085)	(3,945,909)
Pupil transportation	2,238,699	-	642,196	-	(1,596,503)	-	(1,596,503)	(1,211,308)
Student activities	1,231,027	28,453	113,053	-	(1,089,521)	-	(1,089,521)	(1,163,829)
Community services	-	-	-	-	-	-	-	(9,400)
Interest and amortization expense related to noncurrent liabilities	2,056,686	-	931,298	-	(1,125,388)	-	(1,125,388)	(1,324,453)
<b>Total governmental activities</b>	<u>47,592,149</u>	<u>28,880</u>	<u>10,166,345</u>	<u>-</u>	<u>(37,396,924)</u>	<u>-</u>	<u>(37,396,924)</u>	<u>(34,304,800)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	920,863	415,889	543,652	-	-	38,678	38,678	480,891
<b>Total primary government</b>	<u>\$ 48,513,012</u>	<u>\$ 444,769</u>	<u>\$ 10,709,997</u>	<u>\$ -</u>	<u>(37,396,924)</u>	<u>38,678</u>	<u>(37,358,246)</u>	<u>(33,823,909)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					22,094,422	-	22,094,422	22,143,993
Earned income taxes levied for general purposes					3,852,829	-	3,852,829	3,537,972
Other taxes levied for general purposes					660,454	-	660,454	704,819
Grants and entitlements not restricted to specific programs					7,011,952	-	7,011,952	6,550,891
Investment earnings					164,724	2,258	166,982	15,914
<b>Total general revenues</b>					<u>33,784,381</u>	<u>2,258</u>	<u>33,786,639</u>	<u>32,953,589</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					(3,612,543)	40,936	(3,571,607)	(870,320)
<b>NET POSITION (DEFICIT)</b>								
Beginning of year					(47,836,176)	489,209	(47,346,967)	(46,476,647)
<b>End of year</b>					<u>\$ (51,448,719)</u>	<u>\$ 530,145</u>	<u>\$ (50,918,574)</u>	<u>\$ (47,346,967)</u>

See accompanying notes

**DALLAS SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2023 with summarized comparative totals for 2022**

	<u>Major Funds</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital</u>		
	<u>Fund</u>	<u>Projects</u>	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>				
Cash	\$ 1,197,320	\$ 51,830	\$ 1,249,150	\$ 4,660,293
Taxes receivable	1,434,417	-	1,434,417	1,500,448
Due from other governments	2,966,961	-	2,966,961	3,541,357
Due from other funds	-	-	-	639,851
Other receivables	800	-	800	800
<b>Total assets</b>	<u>\$ 5,599,498</u>	<u>\$ 51,830</u>	<u>\$ 5,651,328</u>	<u>\$ 10,342,749</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,443,690	\$ -	\$ 1,443,690	\$ 1,563,381
Due to other funds	326,569	-	326,569	-
Accrued salaries, payroll withholdings and benefits	5,254,141	-	5,254,141	5,365,972
<b>Total liabilities</b>	<u>7,024,400</u>	<u>-</u>	<u>7,024,400</u>	<u>6,929,353</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property and per capita taxes	441,133	-	441,133	555,292
<b>FUND BALANCES (DEFICIT)</b>				
Restricted for				
Capital projects	-	51,830	51,830	50,753
Unassigned (deficit)	(1,866,035)	-	(1,866,035)	2,807,351
<b>Total fund balances (deficit)</b>	<u>(1,866,035)</u>	<u>51,830</u>	<u>(1,814,205)</u>	<u>2,858,104</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 5,599,498</u>	<u>\$ 51,830</u>	<u>\$ 5,651,328</u>	<u>\$ 10,342,749</u>

See accompanying notes

# DALLAS SCHOOL DISTRICT

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

June 30, 2023

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ (1,814,205)
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.	65,025,098
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds balance sheet.	441,133
The Internal Service Fund is used by management to charge the cost of health insurance claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position.	178,227
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).	904,430
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	9,565,900
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(125,072,726)
Accrued interest payable on noncurrent liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(676,576)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (51,448,719)</u></b>

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See accompanying notes

# DALLAS SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS

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

	Major Funds		Totals	
	General	Capital	2023	2022
	Fund	Projects		
<b>REVENUES</b>				
Local sources	\$ 27,049,311	\$ 1,077	\$ 27,050,388	\$ 26,425,488
State sources	14,659,825	-	14,659,825	13,557,830
Federal sources	2,518,471	-	2,518,471	4,080,690
<b>Total revenues</b>	<u>44,227,607</u>	<u>1,077</u>	<u>44,228,684</u>	<u>44,064,008</u>
<b>EXPENDITURES</b>				
Current				
Instruction	30,187,065	-	30,187,065	27,941,639
Support services	12,248,157	-	12,248,157	11,728,453
Operation of noninstructional services	1,173,118	-	1,173,118	1,257,602
Facilities acquisition, construction and improvement services	414,640	238,995	653,635	1,006,523
Debt service	4,875,645	-	4,875,645	4,627,970
<b>Total expenditures</b>	<u>48,898,625</u>	<u>238,995</u>	<u>49,137,620</u>	<u>46,562,187</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,671,018)</u>	<u>(237,918)</u>	<u>(4,908,936)</u>	<u>(2,498,179)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year receipts	(2,368)	-	(2,368)	(399,365)
Proceeds from extended-term financing	-	238,995	238,995	491,393
Transfers out	-	-	-	(100,702)
<b>Total other financing sources (uses)</b>	<u>(2,368)</u>	<u>238,995</u>	<u>236,627</u>	<u>(8,674)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(4,673,386)</u>	<u>1,077</u>	<u>(4,672,309)</u>	<u>(2,506,853)</u>
<b>FUND BALANCES (DEFICIT)</b>				
Beginning of year	<u>2,807,351</u>	<u>50,753</u>	<u>2,858,104</u>	<u>5,364,957</u>
<b>End of year</b>	<u>\$ (1,866,035)</u>	<u>\$ 51,830</u>	<u>\$ (1,814,205)</u>	<u>\$ 2,858,104</u>

See accompanying notes

# DALLAS SCHOOL DISTRICT

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

Year ended June 30, 2023

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (4,672,309)

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	\$ 641,274	
Depreciation expense	<u>(3,012,108)</u>	(2,370,834)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred inflows of resources June 30, 2022	(555,292)	
Deferred inflows of resources June 30, 2023	<u>441,133</u>	(114,159)

The Internal Service Fund is used by management to charge the cost of health insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.

682,064

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.

Proceeds from extended-term financing	(238,995)	
Repayment of extended-term financing	233,837	
Amortization of discounts, premiums and deferred amounts on debt refunding	402,959	
Repayment of bonds and notes payable	<u>2,398,310</u>	2,796,111

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	17,690	
Current year change in compensated absences	(13,645)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	402,470	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(378,928)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>38,997</u>	<u>66,584</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ (3,612,543)

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See accompanying notes

# DALLAS SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 249,078	\$ 419,270	\$ 668,348	\$ 708,516
Due from other governments	-	-	-	133,355
Due from other funds	326,569	-	326,569	-
Other receivables	-	-	-	639,851
Inventories	18,470	-	18,470	15,332
<b>Total current assets</b>	<u>594,117</u>	<u>419,270</u>	<u>1,013,387</u>	<u>1,497,054</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	53,538	-	53,538	7,102
<b>Total assets</b>	<u>647,655</u>	<u>419,270</u>	<u>1,066,925</u>	<u>1,504,156</u>
<b>LIABILITIES AND NET POSITION (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts payable	108,154	-	108,154	102,813
Due to other funds	-	-	-	639,851
Insurance claims payable	-	241,043	241,043	759,811
Unearned revenues	9,356	-	9,356	16,309
<b>Total liabilities</b>	<u>117,510</u>	<u>241,043</u>	<u>358,553</u>	<u>1,518,784</u>
<b>NET POSITION (DEFICIT)</b>				
Investment in capital assets	53,538	-	53,538	7,102
Unrestricted (deficit)	476,607	178,227	654,834	(21,730)
<b>Total net position (deficit)</b>	<u>\$ 530,145</u>	<u>\$ 178,227</u>	<u>\$ 708,372</u>	<u>\$ (14,628)</u>

See accompanying notes

# DALLAS SCHOOL DISTRICT

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

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

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 415,889	\$ 4,540,919	\$ 4,956,808	\$ 4,376,979
<b>OPERATING EXPENSES</b>				
Employee benefits	-	3,859,896	3,859,896	4,506,922
Purchased services	421,132	-	421,132	477,108
Supplies	442,580	-	442,580	421,914
Depreciation	10,419	-	10,419	6,069
Other	46,732	-	46,732	79,886
<b>Total operating expenses</b>	<u>920,863</u>	<u>3,859,896</u>	<u>4,780,759</u>	<u>5,491,899</u>
<b>Operating loss</b>	<u>(504,974)</u>	<u>681,023</u>	<u>176,049</u>	<u>(1,114,920)</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	2,258	1,041	3,299	220
State sources	103,621	-	103,621	37,412
Federal sources	440,031	-	440,031	1,308,589
<b>Total nonoperating revenues</b>	<u>545,910</u>	<u>1,041</u>	<u>546,951</u>	<u>1,346,221</u>
<b>CHANGE IN NET POSITION (DEFICIT) BEFORE TRANSFERS</b>				
	40,936	682,064	723,000	231,301
<b>TRANSFERS</b>				
	-	-	-	100,702
<b>CHANGE IN NET POSITION (DEFICIT)</b>				
	<u>40,936</u>	<u>682,064</u>	<u>723,000</u>	<u>332,003</u>
<b>NET POSITION (DEFICIT)</b>				
Beginning of year	<u>489,209</u>	<u>(503,837)</u>	<u>(14,628)</u>	<u>(346,631)</u>
<b>End of year</b>	<u>\$ 530,145</u>	<u>\$ 178,227</u>	<u>\$ 708,372</u>	<u>\$ (14,628)</u>

See accompanying notes

# DALLAS SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

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

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 408,936	\$ -	\$ 408,936	\$ 116,066
Cash received for assessments made to other fund	-	4,540,919	4,540,919	4,257,112
Cash payments to suppliers for goods and services	(1,109,645)	-	(1,109,645)	(946,091)
Cash paid for insurance claims	-	(4,392,914)	(4,392,914)	(4,084,458)
Cash paid for operating expenses	(46,732)	-	(46,732)	(79,886)
<b>Net cash provided by (used for) operating activities</b>	<u>(747,441)</u>	<u>148,005</u>	<u>(599,436)</u>	<u>(737,257)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State sources	107,595	-	107,595	34,096
Federal sources	505,229	-	505,229	1,161,088
Transfers In	-	-	-	100,702
<b>Net cash provided by noncapital financing activities</b>	<u>612,824</u>	<u>-</u>	<u>612,824</u>	<u>1,295,886</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>				
Purchase of capital assets	(56,855)	-	(56,855)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	2,258	1,041	3,299	220
<b>Net increase (decrease) in cash</b>	(189,214)	149,046	(40,168)	558,849
<b>CASH</b>				
Beginning of year	438,292	270,224	708,516	149,667
<b>End of year</b>	<u>\$ 249,078</u>	<u>\$ 419,270</u>	<u>\$ 668,348</u>	<u>\$ 708,516</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (504,974)	\$ 681,023	\$ 176,049	\$ (1,114,920)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>				
Depreciation	10,419	-	10,419	6,069
Donated commodities used	64,183	-	64,183	60,657
(Increase) decrease in				
Inventories	(3,138)	-	(3,138)	(5,008)
Due from other funds	(326,569)	-	(326,569)	-
Other receivables	-	639,851	639,851	(639,851)
Increase (decrease) in				
Accounts payable	19,591	(14,250)	5,341	(45,273)
Due to other funds	-	(639,851)	(639,851)	596,656
Insurance claims payable	-	(518,768)	(518,768)	408,214
Unearned revenue	(6,953)	-	(6,953)	(3,801)
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (747,441)</u>	<u>\$ 148,005</u>	<u>\$ (599,436)</u>	<u>\$ (737,257)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
USDA donated commodities	\$ 64,183	\$ -	\$ 64,183	\$ 60,657

See accompanying notes

**DALLAS SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUND**

**June 30, 2023 with summarized comparative totals for 2022**

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	<b>Custodial Fund</b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>ASSETS</b>		
Cash	<u>\$ 144,492</u>	<u>\$ 154,236</u>
<b>Total assets</b>	<u>144,492</u>	<u>154,236</u>
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Restricted for student activities	<u>144,492</u>	<u>154,236</u>
<b>Total net position</b>	<u>\$ 144,492</u>	<u>\$ 154,236</u>

**DALLAS SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND**

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

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	<u>Custodial Fund</u>	
	<u>2023</u>	<u>2022</u>
<b>ADDITIONS</b>		
Receipts from student groups	\$ 150,685	\$ 97,454
<b>Total additions</b>	<u>150,685</u>	<u>97,454</u>
<b>DEDUCTIONS</b>		
Student activity disbursements	<u>160,429</u>	<u>96,088</u>
<b>Total deductions</b>	<u>160,429</u>	<u>96,088</u>
<b>CHANGE IN NET POSITION</b>	(9,744)	1,366
<b>NET POSITION</b>		
Beginning of year	<u>154,236</u>	<u>152,870</u>
<b>End of year</b>	<u>\$ 144,492</u>	<u>\$ 154,236</u>

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See accompanying notes

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dallas School District (the "**District**") operates a primary school, an intermediate school, a middle school and a senior high school to provide education and related services to the residents in the Townships of Dallas, Kingston and Franklin and the Borough of Dallas. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

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

#### **Reporting Entity**

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

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

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

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

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

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

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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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.

### ***Revenue Recognition***

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

### ***Expenditure Recognition***

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

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### ***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. 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 funds:

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

The Internal Service Fund is used to account for the District's self-funded healthcare plan.

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 employee benefits, purchased services, supplies and other 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 government 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 the 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, which approximates fair value.

### **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 August 19 and are payable in the following periods:

August 19 – October 18	- Discount period, 2% of gross levy
October 19 – December 18	- Face period
December 19 – collection	- Penalty period, 10% of gross levy
January 1	- Lien date

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2022-2023 was 13.6338 mills (\$13.63 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.

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

Installment One	-	September 27
Installment Two	-	November 5
Installment Three	-	December 12

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.

### **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.

### **Unearned Revenues**

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

### **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: buildings and improvements – 15-50 years and furniture and equipment – 5-20 years.

### **Impairment of Long-Lived Assets**

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

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation 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 recorded in the governmental funds' financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

### **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:

#### ***Nonspendable***

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

#### ***Restricted***

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

#### ***Committed***

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

#### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) 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.

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### ***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 General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

### **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.

### **Comparative Data**

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

### **Implementation of New Accounting Pronouncements**

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

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

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

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# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### **New Accounting Pronouncements**

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

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

## **(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

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

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

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

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

## **(3) DEPOSITS**

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.

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2023, the carrying amount of the District's deposits was \$2,061,990 and the bank balance was \$2,391,875. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in 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, \$311,139 was covered by federal depository insurance and \$2,080,736 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

### (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 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	\$ 371,280	\$ -	\$ -	\$ 371,280
Capital assets being depreciated				
Buildings and improvements	100,161,853	393,080	-	100,554,933
Furniture and equipment	5,259,638	248,194	1,404,855	4,102,977
Right-to-use leased equipment	251,325	-	-	251,325
<b>Total capital assets being depreciated</b>	<u>105,672,816</u>	<u>641,274</u>	<u>1,404,855</u>	<u>104,909,235</u>
Less accumulated depreciation for				
Buildings and improvements	(34,541,312)	(2,623,973)	-	(37,165,285)
Furniture and equipment	(4,044,021)	(325,304)	(1,404,855)	(2,964,470)
Right-to-use leased equipment	(62,831)	(62,831)	-	(125,662)
<b>Total accumulated depreciation</b>	<u>(38,648,164)</u>	<u>(3,012,108)</u>	<u>(1,404,855)</u>	<u>(40,255,417)</u>
<b>Total capital assets being depreciated, net</b>	<u>67,024,652</u>	<u>(2,370,834)</u>	<u>-</u>	<u>64,653,818</u>
<b>Governmental activities, net</b>	<u>\$ 67,395,932</u>	<u>\$ (2,370,834)</u>	<u>\$ -</u>	<u>\$ 65,025,098</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 214,543	\$ 56,855	\$ -	\$ 271,398
Less accumulated depreciation	(207,441)	(10,419)	-	(217,860)
<b>Business-type activities, net</b>	<u>\$ 7,102</u>	<u>\$ 46,436</u>	<u>\$ -</u>	<u>\$ 53,538</u>

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

<b>Governmental activities</b>	
Instruction	\$2,161,017
Instructional student support	178,187
Administrative and financial support services	259,020
Operation and maintenance of plant services	329,530
Student activities	84,354
<b>Total depreciation expense – governmental activities</b>	<u>\$3,012,108</u>

**DALLAS SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

**Business-type activities**

Food service

\$ 10,419

**(5) INTERNAL RECEIVABLES AND PAYABLES**

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

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	<u>\$326,569</u>	General Fund	<u>\$326,569</u>

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

**(6) NONCURRENT LIABILITIES**

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

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$ 58,610,000	\$ -	\$ 2,145,000	\$ 56,465,000	\$ 2,445,000
Notes payable	1,209,507	-	253,310	956,197	258,664
Bond premiums	5,299,660	-	507,452	4,792,208	507,452
Bond discounts	(407,261)	-	(22,272)	(384,989)	(22,272)
<b>Total general obligation debt</b>	<u>64,711,906</u>	<u>-</u>	<u>2,883,490</u>	<u>61,828,416</u>	<u>3,188,844</u>
<b>Other noncurrent liabilities</b>					
Leases payable	576,592	238,995	233,837	581,750	185,976
Compensated absences	701,875	13,645	-	715,520	-
OPEB liability	5,000,086	433,043	156,669	5,276,460	-
Net OPEB liability - PSERS	2,870,171	-	617,067	2,253,104	-
Net pension liability - PSERS	<u>49,719,700</u>	<u>4,697,776</u>	<u>-</u>	<u>54,417,476</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>58,868,424</u>	<u>5,383,459</u>	<u>1,007,573</u>	<u>63,244,310</u>	<u>185,976</u>
<b>Total noncurrent liabilities</b>	<u>\$123,580,330</u>	<u>\$5,383,459</u>	<u>\$3,891,063</u>	<u>\$125,072,726</u>	<u>\$3,374,820</u>

Noncurrent liabilities are generally liquidated by the General Fund.

**(7) GENERAL OBLIGATION DEBT**

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted resources. 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 obligation debt.

**DALLAS SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

General obligation debt outstanding as of June 30, 2023 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 2015	0.45% - 2.75%	\$5,980,000	09/01/2026	\$ 2,110,000
Series of 2016	3.00% - 5.00%	\$13,425,000	04/01/2029	11,140,000
Series of 2017	3.00% - 5.00%	\$18,350,000	07/15/2041	18,325,000
Series of 2019	4.00% - 5.00%	\$27,115,000	10/15/2034	<u>24,890,000</u>
<b>Total general obligation bonds</b>				<u>56,465,000</u>
<b>General obligation notes</b>				
Series of 2014B	1.95%	\$1,500,000	04/15/2024	163,300
Series of 2021	2.35%	\$1,007,000	02/08/2031	<u>792,897</u>
<b>Total general obligation notes</b>				<u>956,197</u>
<b>Total general obligation debt</b>				<u>\$57,421,197</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>Total Maturities</u>
2024	\$ 2,703,664	\$ 2,388,472	\$ 5,092,136
2025	2,692,710	2,279,896	4,972,606
2026	2,785,063	2,163,671	4,948,734
2027	2,897,474	2,044,789	4,942,263
2028	3,004,920	1,934,854	4,939,774
2029-2033	17,107,366	7,227,486	24,334,852
2034-2038	16,165,000	3,039,858	19,204,858
2039-2042	<u>10,065,000</u>	<u>584,635</u>	<u>10,649,635</u>
	<u>\$57,421,197</u>	<u>\$21,663,661</u>	<u>\$79,084,858</u>

**(8) LEASES PAYABLE**

The District has entered into long-term lease agreements for computer and copier equipment. Initial lease liabilities were recorded in the amount of \$1,091,313. As of June 30, 2023, the value of the lease liabilities is \$581,750. The leases have interest rates ranging from 3.00% to 8.25%. The estimated useful lives of the equipment were 4 to 5 years as of their contract commencements. The value of the capital assets as of June 30, 2023 is \$555,617, net of accumulated depreciation and amortization of \$535,696, and is included with noncurrent assets on the statement of net position. Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2024	\$215,415
2025	215,415
2026	110,188
2027	110,188
Less: amount representing interest	<u>(69,456)</u>
Present value of minimum lease payments	<u>\$581,750</u>

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (9) 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 multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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 credited service; (b) age 60 with 30 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 membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally equal to 1.00% 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. 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.

**DALLAS SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

**Contributions**

**Member Contributions**

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

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

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

**Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$6,458,485 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$54,417,476 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1224 percent, which was an increase of 0.0013 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

For the year ended June 30, 2023, the District recognized negative net pension expense of \$402,470. At June 30, 2023, 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 expected and actual experience	\$ 25,000	\$ 471,000
Changes in assumptions	1,625,000	-
Net difference between projected and actual investment earnings	-	923,000
Changes in proportions	1,856,000	-
Contributions subsequent to the measurement date	<u>6,458,485</u>	<u>-</u>
	<u>\$9,964,485</u>	<u>\$1,394,000</u>

\$6,458,485 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:

### Year ended June 30,

2024	\$ 1,098,000
2025	993,000
2026	(1,268,000)
2027	<u>1,289,000</u>
	<u>\$ 2,112,000</u>

### Actuarial Assumptions

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

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

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0 %	5.3%
Private equity	12.0 %	8.0%
Fixed income	33.0 %	2.3%
Commodities	9.0 %	2.3%
Infrastructure/MLPs	9.0 %	5.4%
Real estate	11.0 %	4.6%
Absolute return	6.0 %	3.5%
Cash	3.0 %	0.5%
Leverage	<u>(11.0)%</u>	0.5%
	<u>100.0 %</u>	

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

### Discount Rate

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

### Sensitivity of the District's Proportionate Share 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>\$70,385,283</u>	<u>\$54,417,476</u>	<u>\$40,954,681</u>

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### 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 PSERS' website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

## (10) 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 for specific early retirement incentive payments and healthcare benefits until age 65 to all retirees. 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 June 30, 2022:

Active employees not fully eligible	199
Active employees fully eligible but not yet receiving benefits	17
Retired employees and spouses receiving benefits	<u>5</u>
Total	<u>221</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, 2023. The OPEB liability was determined by an actuarial valuation as of June 30, 2022, and by rolling forward the liabilities from the June 30, 2022 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 \$5,276,460, all of which is unfunded. As of June 30, 2023, the OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

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

<b>Balance as of July 1, 2022</b>	<u>\$5,000,086</u>
<b>Changes for the year:</b>	
Service cost	249,184
Interest on total OPEB liability	183,859
Changes in assumptions	(45,626)
Benefit payments	<u>(111,043)</u>
<b>Net changes</b>	<u>276,374</u>
<b>Balance as of June 30, 2023</b>	<u>\$5,276,460</u>

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

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For the year ended June 30, 2023, the District recognized OPEB expense of \$378,928. At June 30, 2023, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

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**DALLAS SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 414,459	\$ -
Changes in assumptions	<u>1,079,020</u>	<u>556,425</u>
	<u>\$1,493,479</u>	<u>\$556,425</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30,**

2024	\$ 56,929
2025	56,929
2026	56,929
2027	56,929
2028	56,929
Thereafter	<u>652,409</u>
	<u>\$937,054</u>

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

The following presents the OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what the OPEB liability would be if 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	<u>\$4,761,000</u>	<u>\$5,276,460</u>	<u>\$5,862,000</u>

**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 3.65%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.65%</u>	<u>3.65%</u>	<u>4.65%</u>
OPEB Liability	<u>\$5,705,000</u>	<u>\$5,276,460</u>	<u>\$4,850,000</u>

**Actuarial Methods and Significant Assumptions**

The OPEB liability as of June 30, 2023, was determined by using the following actuarial assumptions:

- Actuarial cost method – entry age normal
- Discount rate – 3.65% – 20 year high-grade municipal rate index. The discount rate changed from 3.54% to 3.65%.
- Salary growth – 3.25%
- Assumed healthcare cost trends – 6.75%
- Mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study.

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### **Cost Sharing Multiple-Employer Defined Benefit OPEB Plan**

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

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

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

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

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

### **Benefits Provided**

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

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$140,361 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,253,104 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1224 percent, which was an increase of 0.0013 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized negative net OPEB expense of \$38,997. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**DALLAS SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 21,000	\$ 12,000
Changes in assumptions	250,000	532,000
Net difference between projected and actual investment earnings	6,000	-
Changes in proportions	219,000	34,000
Contributions subsequent to the measurement date	<u>140,361</u>	<u>-</u>
	<u>\$636,361</u>	<u>\$578,000</u>

\$140,361 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:

**Year ended June 30,**

2024	\$(21,000)
2025	8,000
2026	10,000
2027	(34,000)
2028	<u>(45,000)</u>
	<u>\$(82,000)</u>

**Actuarial Assumptions**

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

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.09% – Standard & Poor's 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Investments consist primarily of short-term assets designed to protect the principal of 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>	0.50%

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

### **Discount Rate**

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

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

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

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

**DALLAS SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$2,252,875</u>	<u>\$2,253,104</u>	<u>\$2,253,287</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.09%</u>	<u>4.09%</u>	<u>5.09%</u>
District's proportionate share of the net OPEB liability	<u>\$2,547,990</u>	<u>\$2,253,104</u>	<u>\$2,006,347</u>

**OPEB Plan Fiduciary Net Position**

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

**(11) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION**

**West Side Career and Technology Center**

The District and four other Luzerne County school districts participate in the West Side Area Career and Technology Center (the "**WSCTC**"). The WSCTC provides vocational-technical training and education to students of the participating school districts. The WSCTC is controlled by a joint board comprised of representative school board members of participating school districts. District oversight of the WSCTC operations is the responsibility of the joint board. The District's share of operating costs for the WSCTC fluctuates based on the District's percentage of enrollment. The District share of operating costs for 2022-2023 was \$435,892.

The WSCTC prepares financial statements that are available to the public from their administrative office located at 75 Evans Street, Kingston, Pennsylvania 18704.

**Luzerne Intermediate Unit**

The District and eleven other school districts in Luzerne and Wyoming Counties are participating members of the Luzerne Intermediate Unit (the "**LIU**"). The LIU 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 district. The School Board of each participating district must approve the annual program budget for the LIU but the participating districts have no ongoing fiduciary interest or responsibility to the LIU. The LIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2022-2023, the District contracted with the LIU for services which totaled \$1,062,417 of which \$789,117 was payable as of June 30, 2023.

# DALLAS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (12) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

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

#### Litigation

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

### (13) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2022-2023 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District administers a self-insurance program to provide health insurance and related expenses for eligible employees, spouses and their 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 Internal Service Fund for claims incurred through June 30, 2023 which has historically been satisfied within 60 days after June 30.

The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance claims liability – beginning of year	\$ 759,811	\$ 351,597
Current year insurance claims and changes in estimates	3,859,896	4,506,922
Insurance claims paid	<u>(4,378,664)</u>	<u>(4,098,708)</u>
Insurance claims liability – end of year	<u>\$ 241,043</u>	<u>\$ 759,811</u>

### (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# DALLAS SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Local sources	\$26,759,695	\$ 27,049,311	\$ 289,616
State sources	14,311,329	14,659,825	348,496
Federal sources	2,745,000	2,518,471	(226,529)
<b>Total revenues</b>	<u>43,816,024</u>	<u>44,227,607</u>	<u>411,583</u>
<b>EXPENDITURES</b>			
<b>Instruction</b>			
Regular programs	18,888,955	22,242,110	(3,353,155)
Special programs	5,361,463	6,961,673	(1,600,210)
Vocational programs	795,644	949,231	(153,587)
Other instructional programs	40,852	34,051	6,801
<b>Total instruction</b>	<u>25,086,914</u>	<u>30,187,065</u>	<u>(5,100,151)</u>
<b>Support services</b>			
Pupil support services	1,151,466	1,378,798	(227,332)
Instructional staff services	492,792	428,522	64,270
Administrative services	2,692,774	2,152,916	539,858
Pupil health	327,229	382,716	(55,487)
Business services	796,364	968,267	(171,903)
Operation and maintenance of plant services	3,975,139	4,168,170	(193,031)
Student transportation services	2,362,250	2,238,699	123,551
Support services - central	407,646	481,040	(73,394)
Other support services	55,500	49,029	6,471
<b>Total support services</b>	<u>12,261,160</u>	<u>12,248,157</u>	<u>13,003</u>
<b>Operation of noninstructional services</b>			
Student activities	1,149,785	1,173,118	(23,333)
Community services	12,000	-	12,000
<b>Total operation of noninstructional services</b>	<u>1,161,785</u>	<u>1,173,118</u>	<u>(11,333)</u>
<b>Facilities acquisition, construction and improvement services</b>			
	-	414,640	(414,640)
<b>Debt service</b>			
	4,872,899	4,875,645	(2,746)
<b>Total expenditures</b>	<u>43,382,758</u>	<u>48,898,625</u>	<u>(5,515,867)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>433,266</u>	<u>(4,671,018)</u>	<u>(5,104,284)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior year receipts	-	(2,368)	(2,368)
Budgetary reserve	(1,070,000)	-	1,070,000
<b>Total other financing sources (uses)</b>	<u>(1,070,000)</u>	<u>(2,368)</u>	<u>1,067,632</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (636,734)</u>	<u>(4,673,386)</u>	<u>\$ (4,036,652)</u>
<b>FUND BALANCE</b>			
Beginning of year		2,807,351	
<b>End of year</b>		<u>\$ (1,866,035)</u>	

**DALLAS SCHOOL DISTRICT**

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

**Year ended June 30**

	<b>Measurement Date</b>								
	<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	0.1224%	0.1211%	0.1157%	0.1148%	0.1034%	0.1073%	0.1106%	0.1154%	0.1155%
District's proportionate share of the net pension liability	\$ 54,417,476	\$ 49,719,700	\$ 56,969,542	\$ 53,706,434	\$ 49,637,134	\$ 52,993,759	\$ 54,810,000	\$ 49,986,000	\$ 45,716,000
District's covered payroll	\$ 17,996,151	\$ 17,170,793	\$ 16,215,638	\$ 15,831,419	\$ 13,921,521	\$ 14,287,172	\$ 14,329,958	\$ 14,848,381	\$ 14,735,882
District's proportionate share of the net pension liability as a percentage of its covered payroll	302.38%	289.56%	351.32%	339.24%	356.55%	370.92%	382.49%	336.64%	310.24%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

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

**DALLAS SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS**

**Year 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>
Contractually required contribution	\$ 6,458,485	\$ 6,143,886	\$ 5,754,984	\$ 5,403,323	\$ 5,141,015	\$ 4,387,601	\$ 4,104,126	\$ 3,519,000	\$ 2,980,000	\$ 2,301,000
Contributions in relation to the contractually required contribution	<u>6,458,485</u>	<u>6,143,886</u>	<u>5,754,984</u>	<u>5,403,323</u>	<u>5,141,015</u>	<u>4,387,601</u>	<u>4,104,126</u>	<u>3,519,000</u>	<u>2,902,782</u>	<u>2,274,056</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	77,218	26,944
District's covered payroll	\$ 18,714,822	\$ 17,996,151	\$ 17,170,793	\$ 16,215,638	\$ 15,831,419	\$ 13,921,521	\$ 14,287,172	\$ 14,329,958	\$ 14,848,381	\$ 14,735,882
Contributions as a percentage of covered payroll	34.51%	34.14%	33.52%	33.32%	32.47%	31.52%	28.73%	24.56%	19.55%	15.43%

**DALLAS SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN**

Year ended June 30

	<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	\$ 249,184	\$ 288,970	\$ 280,397	\$ 159,180	\$ 148,988	\$ 143,437
Interest on total OPEB liability	183,859	110,811	107,583	113,849	119,782	114,995
Differences between expected and actual experience	-	280,568	-	202,403	-	-
Changes of assumptions	(45,626)	(482,977)	19,940	1,230,640	103,122	(125,230)
Benefit payments	<u>(111,043)</u>	<u>(76,869)</u>	<u>(231,900)</u>	<u>(192,291)</u>	<u>(256,519)</u>	<u>(254,999)</u>
<b>Net change in total OPEB liability</b>	276,374	120,503	176,020	1,513,781	115,373	(121,797)
<b>Total OPEB liability, beginning</b>	<u>5,000,086</u>	<u>4,879,583</u>	<u>4,703,563</u>	<u>3,189,782</u>	<u>3,074,409</u>	<u>3,196,206</u>
<b>Total OPEB liability, ending</b>	<u>\$ 5,276,460</u>	<u>\$ 5,000,086</u>	<u>\$ 4,879,583</u>	<u>\$ 4,703,563</u>	<u>\$ 3,189,782</u>	<u>\$ 3,074,409</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 16,363,000	\$ 15,847,484	\$ 14,970,000	\$ 14,533,703	\$ 12,437,378	\$ 13,373,189
<b>Net OPEB liability as a % of covered payroll</b>	32.25%	31.55%	32.60%	32.36%	25.65%	22.99%

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.

**DALLAS SCHOOL DISTRICT**

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

**Year ended June 30**

	<b>Measurement Date</b>					
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
District's proportion of the net OPEB liability	0.1224%	0.1211%	0.1155%	0.1148%	0.1034%	0.1073%
District's proportionate share of the net OPEB liability	\$ 2,253,104	\$ 2,870,171	\$ 2,495,605	\$ 2,441,615	\$ 2,155,837	\$ 2,186,143
District's covered payroll	\$ 17,996,151	\$ 17,170,793	\$ 16,215,638	\$ 15,831,419	\$ 13,921,521	\$ 14,287,172
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.52%	16.72%	15.39%	15.42%	15.49%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

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

# DALLAS SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 140,361	\$ 143,969	\$ 140,918	\$ 135,970	\$ 131,528	\$ 115,523	\$ 118,629
Contributions in relation to the contractually required contribution	<u>140,361</u>	<u>143,969</u>	<u>140,918</u>	<u>135,970</u>	<u>131,528</u>	<u>115,523</u>	<u>118,629</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 18,714,800	\$ 17,996,151	\$ 17,170,793	\$ 16,215,638	\$ 15,831,419	\$ 13,921,521	\$ 14,287,172
Contributions as a percentage of covered-employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%

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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.

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**SINGLE AUDIT**

# DALLAS SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2023

<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, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Pass Through to Subrecipients</u>
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-220111	07/01/21 - 09/30/22	\$ 627,135	\$ 88,962	\$ 88,962	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-230111	07/01/22 - 09/30/23	630,863	536,155	-	630,863	630,863	94,708	-
Total ALN 84.010						625,117	88,962	630,863	630,863	94,708	-
Title II - Improving Teacher Quality	I	84.367	020-220111	07/01/21 - 09/30/22	103,715	14,849	14,849	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-230111	07/01/22 - 09/30/23	102,673	87,894	-	102,673	102,673	14,779	-
Total ALN 84.367						102,743	14,849	102,673	102,673	14,779	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-220111	07/01/21 - 09/30/22	33,633	4,502	4,502	-	-	-	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-230111	07/01/22 - 09/30/23	49,208	40,625	-	49,208	49,208	8,583	-
Total ALN 84.424						45,127	4,502	49,208	49,208	8,583	-
COVID-19 ARP ESSER	I	84.425U	223-210111	03/13/20 - 09/30/24	3,340,461	2,611,633	1,903,412	1,194,106	1,194,106	485,885	-
COVID-19 ARP ESSER 7%	I	84.425U	225-210111	03/13/20 - 09/30/24	259,630	127,455	14,162	136,896	136,896	23,603	-
COVID-19 ARP ESSER 2.5%	I	84.425U	224-210111	03/13/20 - 09/30/24	48,145	37,640	-	48,145	48,145	10,505	-
COVID-19 ARP ESSER Homeless Children	I	84.425W	181-212521	07/01/21 - 09/30/24	9,151	8,682	1,643	7,039	7,039	-	-
<b>Passed Through the Pennsylvania Commission on Crime and Delinquency</b>											
COVID-19 ESSER School Health and Safety Grants	I	84.425D	2020-ES-01-35103	03/13/20 - 09/30/23	70,994	35,914	35,914	-	-	-	-
Total ALN 84.425						2,821,324	1,955,131	1,386,186	1,386,186	519,993	-
<b>Passed Through the Luzerne Intermediate Unit</b>											
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/22 - 06/30/23	273,300	273,300	-	273,300	273,300	-	-
Total U.S. Department of Education						3,867,611	2,063,444	2,442,230	2,442,230	638,063	-

Continued on next page

<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, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Pass Through to Subrecipients</u>
<b>U.S. Department of Health and Human Services</b>											
<b>Passed Through the Pennsylvania Department of Public Welfare</b>											
Medical Assistance Program	I	93.778	N/A	07/01/22 - 06/30/23	N/A	11,241	-	11,241	11,241	-	-
<b>U.S. Department of Agriculture</b>											
<b>Passed-Through Department of Education</b>											
State Matching Share	S	N/A	N/A	07/01/21 - 06/30/22	N/A	3,974	3,974	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/22 - 06/30/23	N/A	20,758	-	20,758	20,758	-	-
State Breakfast Initiative	S	N/A	N/A	07/01/22 - 06/30/23	N/A	82,863	-	82,863	82,863	-	-
Total State Awards						107,595	3,974	103,621	103,621	-	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	628	-	628	628	-	-
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	28,746	28,746	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	78,874	-	78,874	78,874	-	-
Total ALN 10.553						107,620	28,746	78,874	78,874	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	67,873	-	67,873	67,873	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	100,635	100,635	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	228,474	-	228,474	228,474	-	-
<b>Passed-Through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	64,183	-	64,183	64,183	-	-
Total ALN 10.555						461,165	100,635	360,530	360,530	-	-
<b>Total U.S. Department of Agriculture</b>						<b>677,008</b>	<b>133,355</b>	<b>543,653</b>	<b>543,653</b>	<b>-</b>	<b>-</b>
<b>Total Federal Awards and Certain State Grants</b>						<b>\$ 4,555,860</b>	<b>\$ 2,196,799</b>	<b>\$ 2,997,124</b>	<b>\$ 2,997,124</b>	<b>\$ 638,063</b>	<b>\$ -</b>
Total Federal Awards						\$ 4,448,265	\$ 2,192,825	\$ 2,893,503	\$ 2,893,503	\$ 638,063	\$ -
Total State Awards						107,595	3,974	103,621	103,621	-	-
Total Federal Awards and Certain State Grants						<u>\$ 4,555,860</u>	<u>\$ 2,196,799</u>	<u>\$ 2,997,124</u>	<u>\$ 2,997,124</u>	<u>\$ 638,063</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.553 and #10.555)						<u>\$ 568,785</u>	<u>\$ 129,381</u>	<u>\$ 439,404</u>	<u>\$ 439,404</u>	<u>\$ -</u>	<u>\$ -</u>

**Source Codes**

I - Indirect Funding

S - State Share

# DALLAS SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2023

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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 Assistance Listing #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2022-2023 fiscal year.

### (4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2023 was \$65,000.

### (5) INDIRECT COSTS

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

**DALLAS SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2023**

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



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

**Board of School Directors  
Dallas School District  
Dallas, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dallas School District, Dallas, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Dallas School District's basic financial statements, and have issued our report thereon dated March 19, 2024.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Dallas 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 Dallas School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dallas 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 have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Dallas 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

BBD, LLP

**Philadelphia, Pennsylvania  
March 19, 2024**



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

**Board of School Directors  
Dallas School District  
Dallas, Pennsylvania**

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

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

We have audited Dallas 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 Dallas School District's major federal programs for the year ended June 30, 2023. Dallas 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, Dallas School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

We are required to be independent of Dallas 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 Dallas 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 Dallas 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 Dallas 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 Dallas 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 Dallas 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 Dallas 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 Dallas School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania**  
**March 19, 2024**

# DALLAS SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Dallas School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Dallas 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 the Dallas 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 the Dallas 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).
7. The program tested as a major program was:  

Education Stabilization Fund – Elementary and Secondary Education – Assistance Listing #84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Dallas School District did qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None