COLLABORATORS | COACHES | ADVOCATES | MENTORS
FRIENDS | VOLUNTEERS | REGULARS | DINERS | VISITORS
CPAs | CONSULTANTS | WEALTH ADVISORS | *NEIGHBORS*
COLLABORATORS | COACHES | ADVOCATES | MENTORS |
CONNOISSEURS | CUSTOMERS | TEACHERS |
| VOLUNTEERS |

DALLAS SCHOOL DISTRICT
DALLAS, PENNSYLVANIA
LUZERNE COUNTY

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2025

Right there with you

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DALLAS SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2025

INDEPENDENT AUDITORS' REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 5

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION (DEFICIT) 21

STATEMENT OF ACTIVITIES 22

FUND FINANCIAL STATEMENTS

BALANCE SHEET – GOVERNMENTAL FUNDS 23

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT) 24

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS 25

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES 26

STATEMENT OF NET POSITION – PROPRIETARY FUNDS 27

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS 28

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS 29

STATEMENT OF NET POSITION – FIDUCIARY FUNDS 30

STATEMENT OF CHANGE IN NET POSITION – FIDUCIARY FUNDS 31

NOTES TO FINANCIAL STATEMENTS 32

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND 68

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PSERS 69

DALLAS SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2025

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS – PSERS 70

SCHEDULE OF CHANGES IN OPEB LIABILITY – SINGLE EMPLOYER PLAN 71

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY – PSERS 72

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS – PSERS 73

SINGLE AUDIT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 75

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 77

INDEPENDENT AUDITORS' 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* 78

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 80

SCHEDULES OF FINDINGS AND QUESTIONED COSTS 83

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INDEPENDENT AUDITORS' REPORT

Board of School Directors
Dallas School District
Dallas, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dallas School District, Luzerne County, Pennsylvania (the District), as of and for the year ended June 30, 2025, 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 accompanying 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

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Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

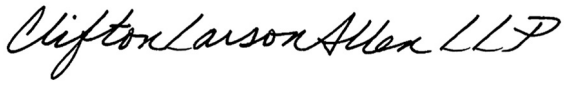
Report on Summarized Comparative Information

We have previously audited Dallas School District's financial statements as of and for the year ended June 30, 2024, and our report thereon, dated September 5, 2025, expressed an unmodified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of School Directors
Dallas School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2026, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dallas School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dallas School District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 1, 2026

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, 2025. 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 300 full and part-time employees in the District including instructional staff, administrators and 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 2024-2025 fiscal year of $58,677,332. During the 2024-2025 fiscal year, the District had a decrease in total net position of $3,435,679. The net position of governmental activities decreased by $3,088,008 and the net position of the business-type activities decreased by $176,081.

- The General Fund reported a decrease in fund balance of $4,933,714, bringing the cumulative balance to a deficit of $10,652,595 at the conclusion of the 2024-2025 fiscal year.

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.

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 21 and 22 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 23 through 26 of this report.

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 27 through 29 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 30 and 31 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 32 through 66 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 68 through 73 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 2024-2025 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $58,383,365. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and Other Assets	$ 4,790,212	$ 3,250,606	$ 555,243	$ 710,067	$ 5,345,455	$ 3,960,673
Capital Assets, Net	60,407,038	62,556,238	121,241	133,840	60,528,279	62,690,078
Total Assets	65,197,250	65,806,844	676,484	843,907	65,873,734	66,650,751
Deferred Outflows of Resources	11,098,171	14,140,650	-	-	11,098,171	14,140,650
Liabilities:						
Current Liabilities	15,538,300	9,442,544	382,517	373,859	15,920,817	9,816,403
Noncurrent Liabilities	116,387,709	124,198,050	-	-	116,387,709	124,198,050
Total Liabilities	131,926,009	133,640,594	382,517	373,859	132,308,526	134,014,453
Deferred Inflows of Resources	3,418,024	1,724,634	-	-	3,418,024	1,724,634
Net Position (Deficit):						
Net Investment in Capital Assets	5,412,741	3,520,892	121,241	133,840	5,533,982	3,654,732
Restricted	15,136	52,036	-	-	15,136	52,036
Unrestricted (Deficit)	(64,105,209)	(58,990,662)	172,726	336,208	(63,932,483)	(58,654,454)
Total Net Position (Deficit)	$ (58,677,332)	$ (55,417,734)	$ 293,967	$ 470,048	$ (58,383,365)	$ (54,947,686)

The District's total assets as of June 30, 2025 were $66,245,014 of which $732,126 or 1.11% consisted of cash and $60,899,559 or 92.67% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2025 were $132,308,526 of which $55,815,821 or 42.19% consisted of general obligation debt used to acquire and construct capital assets and $50,100,367 or 37.87% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of $63,932,483 at June 30, 2025. The District's unrestricted net position decreased by $5,278,029 primarily due to the results of current year operations.

A portion of the District's net position reflects its restricted net position which totaled $15,136 as of June 30, 2025. 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, 2025, the District's net investment in capital assets increased by $1,879,250 because the long-term debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated.

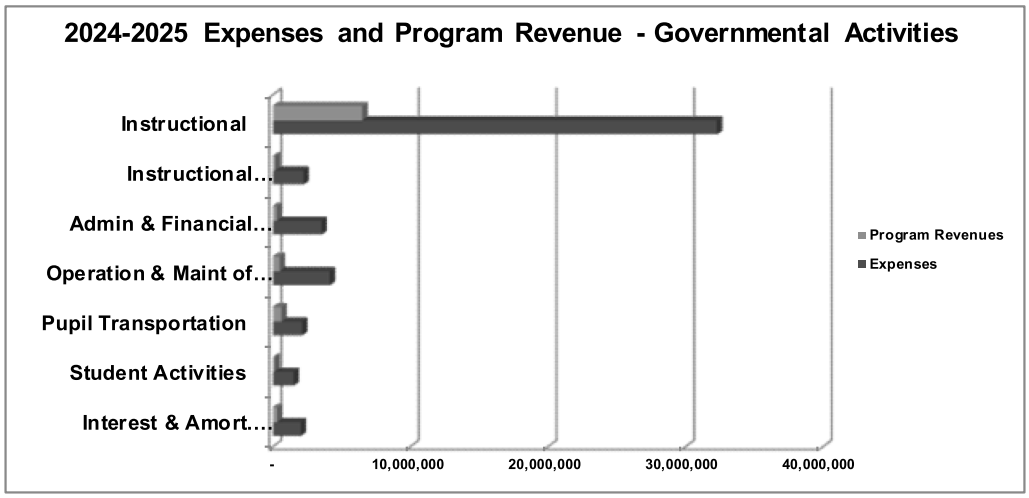
The following table presents condensed information for the *Statement of Activities* of the District for 2025 and 2024:

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	$ -	$ -	$ 450,386	$ 413,792	$ 450,386	$ 413,792
Operating Grants and Contributions	8,637,314	9,525,297	703,711	753,755	9,341,025	10,279,052
Capital Grants and Contributons	146,754	-	-	-	146,754	-
General Revenues:						
Property Taxes Levied for General Purposes	23,542,675	22,324,897	-	-	23,542,675	22,324,897
Earned Income Taxes Levied for General Purposes	4,091,291	3,972,175	-	-	4,091,291	3,972,175
Other Taxes	615,141	542,687	-	-	615,141	542,687
Grants and Entitlements Not Restricted to Specific Programs	7,738,098	7,448,523	-	-	7,738,098	7,448,523
Investment Earnings	79,771	129,336	1,512	2,208	81,283	131,544
Total Revenues	44,851,044	43,942,915	1,155,609	1,169,755	46,006,653	45,112,670
Expenses						
Instruction	32,320,223	31,790,473	-	-	32,320,223	31,790,473
Instructional Student Support Services	2,270,395	2,301,073	-	-	2,270,395	2,301,073
Administrative and Financial Support Services	3,565,092	3,707,524	-	-	3,565,092	3,707,524
Operation and Maintenance of Plant Services	4,178,575	4,484,297	-	-	4,178,575	4,484,297
Pupil Transportation	2,162,196	2,137,382	-	-	2,162,196	2,137,382
Student Activities	1,548,743	1,532,724	-	-	1,548,743	1,532,724
Interest and Amortization Expense Related to Noncurrent Liabilities	2,065,418	1,958,457	-	-	2,065,418	1,958,457
Food Service	-	-	1,331,690	1,229,852	1,331,690	1,229,852
Total Expenses	48,110,642	47,911,930	1,331,690	1,229,852	49,442,332	49,141,782
Change in Net Position (Deficit)	$ (3,259,598)	$ (3,969,015)	$ (176,081)	$ (60,097)	$ (3,435,679)	$ (4,029,112)

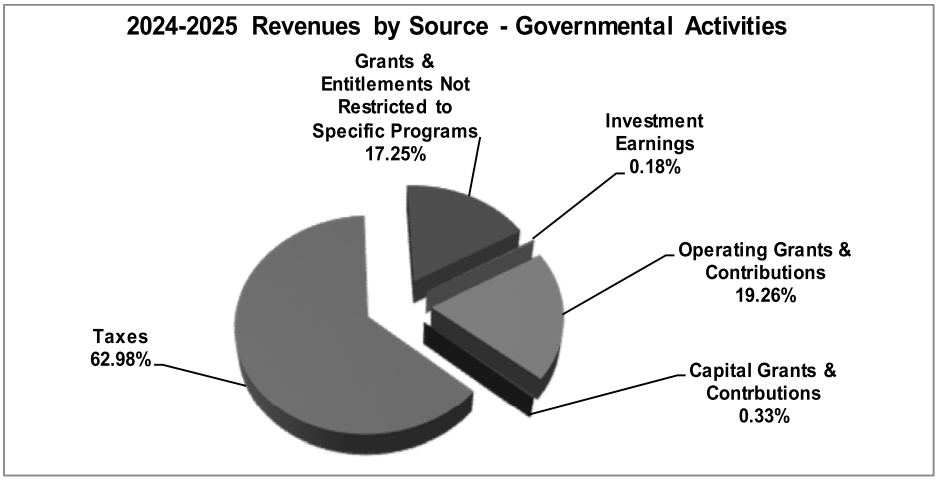
The District continues to face challenges such as increased medical costs and pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal

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.

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



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



GOVERNMENTAL FUNDS

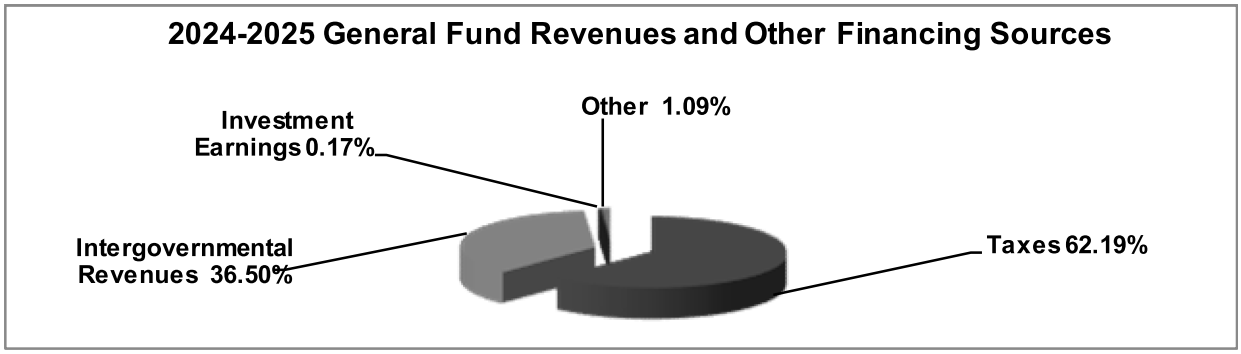
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2025, the District's governmental funds reported a combined deficit fund balance of $10,637,459 which is a decrease of $5,195,951 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2025 and 2024 and the total 2025 change in governmental fund balances.

	2025	2024	$ Change
General Fund	$ (10,652,595)	$ (5,493,544)	$ (5,159,051)
Capital Projects Fund	15,136	52,036	(36,900)
Total	$ (10,637,459)	$ (5,441,508)	$ (5,195,951)

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2024-2025 fiscal year, the General Fund balance was a deficit of $10,652,595 representing a decrease of $5,159,051 in relation to the prior year. The decrease in the District's General 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 2024-2025 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 62.19% of General Fund revenues are derived from local taxes.

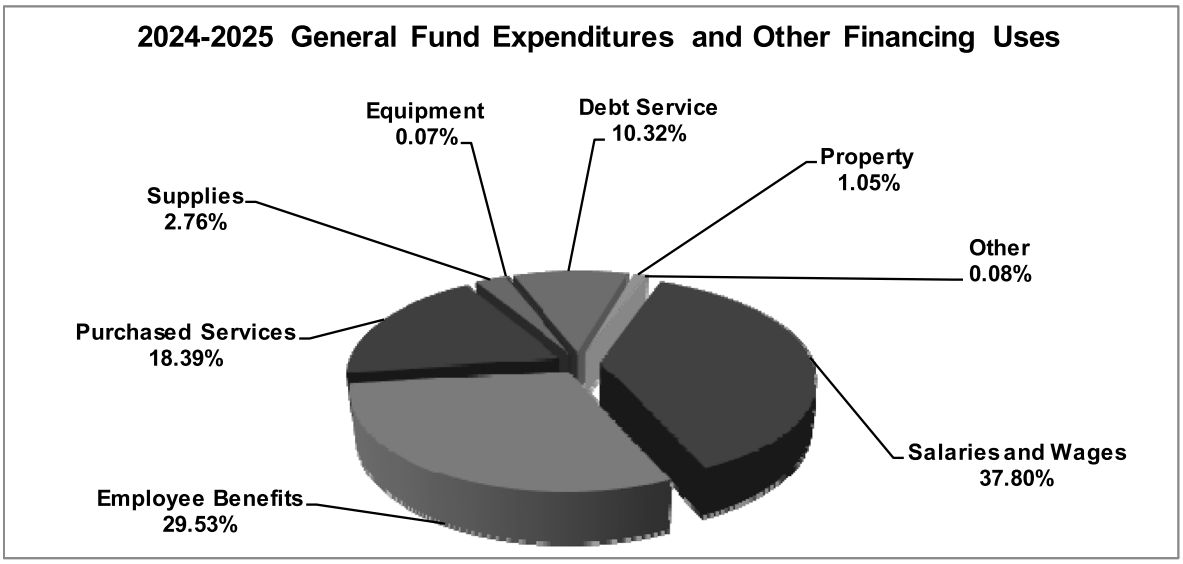


General Fund Revenues and Other Financing Sources

	2025	2024	$ Change	% Change
Tax Revenues	$ 28,113,480	$ 26,904,833	$ 1,208,647	4.49
Intergovernmental Revenues	16,500,663	16,973,820	(473,157)	(2.79)
Investment Earnings	78,964	127,895	(48,931)	(38.26)
Other	514,483	410,966	103,517	25.19
	$ 45,207,590	$ 44,417,514	$ 790,076	1.78

Tax revenues increased primarily as a result of a 4.91% increase in the real estate tax millage rate.

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

	2025	2024	$ Change	% Change
Salaries and Wages	$ 19,040,687	$ 19,146,565	$ (105,878)	(0.55)
Employee Benefits	14,874,320	13,502,595	1,371,725	10.16
Purchased Services	9,264,540	9,359,590	(95,050)	(1.02)
Supplies	1,385,234	1,486,021	(100,787)	(6.78)
Equipment	36,676	69,115	(32,439)	(46.93)
Other	39,441	56,822	(17,381)	(30.59)
Debt Service	5,199,631	4,875,645	323,986	6.64
Property	526,112	404,640	121,472	30.02
Total	$ 50,366,641	$ 48,900,993	$ 1,465,648	3.00

Employee benefits increased by $1,371,725 or 10.16% primarily related to an increase in healthcare and pharmacy-related self-insurance claims.

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

Property expenditures increased in 2024-2025 due to a field turf replacement project at the athletic fields.

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 2024-2025, the Capital Projects Fund reported an decrease in its fund balance of $36,900 due to capital expenditures in excess of earnings on investments. As of June 30, 2025, the Capital Projects Fund had a fund balance of $15,136 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 $481,673 as of June 30, 2024 to balance the 2024-2025 General Fund budget. Actual results during the 2024-2025 fiscal year resulted in a decrease of $5,159,051 for an unfavorable variance of $4,677,378. Total General Fund revenues and other financing sources were $209,852 or 0.35% more than budgeted amounts and total General Fund expenditures and other financing uses were $4,467,526 or 9.81% more than budgeted amounts.

Major budgetary highlights for 2024-2025 were as follows:

- Special program expenditures were $698,958 over anticipated due to an more than anticipated costs for autistic support and learning support services as well as unbudgeted out-of -district placements.

- Regular instruction costs were more than anticipated by $1,459,246 primarily due to more than anticipated healthcare related self-insurance claims

- Overall healthcare increased more than anticipated (mainly overall healthcare inflation accompanied with a few catastrophic claims that are capped at $175,000 per claimant by stop-loss insurance).

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2024-2025, the net position of the business-type activities and Food Service Fund decreased by $176,081. As of June 30, 2025, the business-type activities and Food Service Fund had net position of $293,967.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounted to $60,899,560 net of accumulated depreciation/amortization. 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 $1,790,518 or 2.86%. The decrease was the result of current year depreciation/amortization expense in excess of capital additions. Current year capital additions were $123,001 and depreciation/amortization expense was $2,439,631. The major capital additions for 2024-2025 were a field turf replacement project at the athletic fields and an integrated automatic emergency response system.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of $55,815,821 consisting of $51,425,000 in bonds payable, $953,962 in notes payable and net deferred credits of $3,436,859. 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 $2,823,751 or 4.82% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of $55,815,821 is within the current debt limitation of the District which was $98,276,319 as of June 30, 2025.

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 $50,100,367 as of June 30, 2025. The District's net pension liability decreased by $4,573,394 or 8.36% 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 $9,179,451 as of June 30, 2025. The District's OPEB liability decreased by $660,522 or 6.71% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for leases payable and compensated absences, which totaled $1,292,070 as of June 30, 2025. These liabilities increased by $247,326 or 23.67% 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 2025-2026 budget totaling $45,904,58 and the real estate tax millage increase to 14.9883 mills representing an increase of 4.80%.

- The District adopted 2026-2027 budget totaling $53,365,271 and the real estate tax millage increase to 15.4529 mills representing an increase of 3.10%.

- The District is anticipating a moderate decrease in enrollment over the next several fiscal years.

- The collective bargaining agreement with the Dallas Education Association has been extended until August 31, 2029, while the collective bargaining agreement with the Dallas Educational Support Personnel Association expired 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 2025-2026), 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.

    - 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 2024-2025 is 34.00% which is an increase from the 2023-2024 employer contribution rate of 33.90%.

- As of June 30, 2025, the Dallas School District reported a General Fund deficit of $10,652,595, an increase of $5,159,051 from the prior year's deficit of $5,493,544. The growth in the accumulated deficit reflects the impact of ongoing structural budget challenges, rising operating costs, and other financial pressures facing the District. In response to these results, the District has developed and begun implementing a comprehensive, multi-year strategy focused on reducing the General Fund deficit while maintaining high-quality educational programs and services. This strategy emphasizes fiscal responsibility, operational efficiency, cost containment, and long-range financial planning to address both immediate budgetary concerns and the underlying structural factors contributing to the deficit. The following initiatives represent key components of the District's financial recovery and sustainability plan.

- Staffing Efficiencies and Resource Alignment

    - The District will continue to evaluate every open position, including those as a result retirements and resignations with an emphasis on maintaining programs while achieving staffing efficiency. The District decreased professional staff by nine (9) positions through attrition between July 1, 2025 and August 31, 2026.
    - Staffing models in relation to enrollment and programming: A systematic review of staffing levels will be conducted to ensure that current and future personnel assignments are in direct alignment with student enrollment patterns. This analysis will guide decisions on class sizes, course offerings, support staff deployment, and resource allocation.

- Long-Range Financial Planning and Advisory Support

    - As part of its commitment to strengthening the District's long-term financial position, the District has engaged PFM to provide financial advisory and consulting services. This partnership provides the District with additional expertise and resources to support informed financial decision-making and long-range planning.
    - PFM will assist the District with financial forecasting and the development of long-range strategies, allowing administration to better evaluate projected revenues, expenditures, fund balance, and other significant financial trends over multiple fiscal years. This enhanced forecasting will help the District identify potential structural imbalances earlier and evaluate the long-term impact of financial decisions before they are implemented.
    - The District will also utilize PFM's expertise in debt management and bond pricing to evaluate existing and future debt obligations and identify opportunities to structure financing in a manner that supports the District's overall financial objectives.

- Incorporating independent financial advisory support into the District's planning process represents another step toward moving beyond annual budgeting and developing a more comprehensive, multi-year approach to financial stability. The information and analysis provided through this partnership will be used alongside the District's internal budget monitoring to guide future budget decisions and support the continued reduction of the General Fund deficit.

- Healthcare Cost Management

  On September 14, 2026, a new collective bargaining agreement with the Dallas Education Association was ratified that includes significant healthcare reform including:

  - Increased analysis of dependent coverage to identify enrollment and utilization trends and their impact on plan expenditures.
  - Conducted a third-party-assisted review of plan participants to support eligibility and enrollment analysis.
  - Established an interactive review process with the third-party administrator (TPA) to examine unique and high-cost claims and identify applicable plan and cost-management considerations.
  - Changed healthcare consultants to obtain additional analytical and advisory support.
  - Increased the use of healthcare data, analytics, reporting, and forecasting to monitor expenditures and project future plan costs.
  - Added aggregate stop-loss coverage as an additional financial protection measure for plan claims exposure.
  - Competitively sought stop-loss coverage quotes through the healthcare consultant to evaluate available pricing and coverage options.
  - Enacted the Rx Benefits Protect program to provide an additional pharmacy benefit cost-management measure.
  - Requested increased reporting regarding administrative fees and payment processes to improve monitoring of plan-related expenditures.
  - Initiated employee and employer informational sessions regarding the TPA and healthcare plan administration.
  - Reviewed historical claims data and expenditure trends to support budget and plan-management decisions.
  - Conducted network disruption analysis to evaluate the potential financial and operational effects of network changes.
  - Obtained proposals identifying projected healthcare savings ranging from approximately $340,000 to $1 million for consideration.
  - Sought floor and ceiling analyses for fully insured plan options to evaluate alternative funding and cost structures.
  - Consulted with additional healthcare firms, entities, and other school districts to obtain comparative information and evaluate potential approaches to healthcare cost management.
  - Researched area, regional, and national healthcare cost increase trends to provide comparative benchmarks for expenditure analysis.
  - Increased monthly reporting and analysis of healthcare expenditures to provide more frequent monitoring of actual spending against budget and projected costs.
  - Increased the annual healthcare budget to reflect updated expenditure projections and anticipated plan costs.

- Planned and Continuing Actions

  Management will continue to monitor monthly healthcare expenditures, claims experience, enrollment and dependent coverage, pharmacy costs, administrative fees, and plan performance. Management will also continue evaluating alternative plan designs, funding arrangements, stop-loss coverage, network options, and other cost-management strategies based on available data and projected financial impact.

  Management will use the enhanced reporting, forecasting, claims analysis, and external benchmarking described above to inform annual budget development and ongoing healthcare plan decisions. Proposals and alternative strategies will be evaluated based on projected savings, plan sustainability, employee impact, financial exposure, and operational considerations.

- Tuition and residency oversight

  - Special education out-of-district placements: The District will evaluate tuition costs for out-of-district placements, exploring opportunities to expand in-district programming where feasible. Particular attention will be paid to the least restrictive environment, the IEP process and what programming is best for each student. ensuring that placements are both appropriate and cost-effective.
  - Related services, including behavioral health supports, will be evaluated and alternative formats, services, and models will be sought with an emphasis on student needs and efficiency.
  - Cyber charter tuition and residency: A thorough review of cyber charter tuition deductions will be conducted, with an emphasis on verifying student residency to ensure that only eligible students are funded by the District. The District will also continue to advocate for legislative reform to establish a more equitable tuition cost structure for cyber charter schools.

- Budgeting, Purchasing, and Financial Monitoring

  - The District continues to strengthen its budgeting and financial monitoring practices to identify emerging financial concerns earlier and allow for more timely corrective action.
  - Site-based and zero-based budgeting practices will continue to be utilized to ensure that expenditures are justified and resources are directed toward areas of greatest need. The District will also continue to seek competitive quotes and bids for contracted services, supplies, equipment, insurance, and other purchases whenever appropriate to maximize value.
  - Monthly budget-to-actual analysis will remain a priority, with particular attention given to major cost drivers and areas experiencing significant budget variances. The District's expanded budget structure and enhanced budgeting tools provide greater detail and allow administration to more closely monitor expenditures throughout the fiscal year rather than waiting until year-end to identify unfavorable trends.

- Long-Term Financial Stability
    - The District recognizes that eliminating the General Fund deficit will require sustained attention over multiple budget cycles rather than reliance on any single initiative. The District's strategy is therefore focused on both immediate expenditure controls and structural changes that can produce recurring savings.
    - Healthcare plan changes, careful management of special education placements, continued advocacy for cyber charter funding reform, staffing adjustments through attrition, competitive procurement, and enhanced financial monitoring are all components of this broader strategy.
    - The District will continue to evaluate the financial impact of these initiatives throughout the fiscal year and incorporate realized and projected savings into future budgets and multi-year financial planning. The overall objective is to gradually improve the District's General Fund position while preserving educational programming and maintaining the level of services necessary to support students, staff, and the community.

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.

BASIC FINANCIAL STATEMENTS

DALLAS SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Governmental Activities	Business-Type Activities	Totals 2025	Totals 2024
ASSETS				
Current Assets:				
Cash	$ 685,161	$ 46,965	$ 732,126	$ 653,679
Taxes Receivable	1,629,896	-	1,629,896	1,494,589
Due from Other Governments	2,157,569	58,264	2,215,833	1,658,543
Internal Balances	(425,838)	425,838	-	-
Other Receivables	743,424	-	743,424	136,519
Inventories	-	24,176	24,176	17,343
Total Current Assets	4,790,212	555,243	5,345,455	3,960,673
Noncurrent Assets:				
Nondepreicable Capital Assets	371,280	-	371,280	371,280
Depreciable Capital Assets, Net	60,407,038	121,241	60,528,279	62,318,798
Total Noncurrent Assets	60,778,318	121,241	60,899,559	62,690,078
Total Assets	65,568,530	676,484	66,245,014	66,650,751
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts on Debt Refunding	739,988	-	739,988	822,209
Deferred Charges on Proportionate Share of Pension - PSERS	7,192,247	-	7,192,247	9,826,542
Deferred Charges OPEB - Single Employer	2,803,136	-	2,803,136	2,992,335
Deferred Charges on Proportionate Share of OPEB - PSERS	362,800	-	362,800	499,564
Total Deferred Outflows of Resources	11,098,171	-	11,098,171	14,140,650
LIABILITIES				
Current Liabilities:				
Accounts Payable	3,188,417	355,666	3,544,083	2,910,169
Short Term Note Payable	5,006,361	-	5,006,361	-
Accrued Salaries, Payroll Withholdings, and Benefits	5,936,526	-	5,936,526	5,609,075
Insurance Claims Payable	781,301	-	781,301	623,916
Accrued Interest Payable	625,695	-	625,695	649,520
Unearned Revenues	-	26,851	26,851	23,723
Total Current Liabilities	15,538,300	382,517	15,920,817	9,816,403
Noncurrent Liabilities:				
Due Within One Year	4,143,146	-	4,143,146	3,372,483
Due in More Than One Year	112,244,563	-	112,244,563	120,825,567
Total Noncurrent Liabilities	116,387,709	-	116,387,709	124,198,050
Total Liabilities	131,926,009	382,517	132,308,526	134,014,453
DEFERRED INFLOWS OF RESOURCES				
Deferred Credits on Proportionate Share of Pension - PSERS	1,824,000	-	1,824,000	749,000
Deferred Credits OPEB - Single Employer	1,181,024	-	1,181,024	521,634
Deferred Credits on Proportionate Share of OPEB - PSERS	413,000	-	413,000	454,000
Total Deferred Inflows of Resources	3,418,024	-	3,418,024	1,724,634
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	5,412,741	121,241	5,533,982	3,654,732
Restricted	15,136	-	15,136	52,036
Unrestricted (Deficit)	(64,105,209)	172,726	(63,932,483)	(58,654,454)
Total Net Position (Deficit)	$ (58,677,332)	$ 293,967	$ (58,383,365)	$ (54,947,686)

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position (Deficit): Governmental Activities	Net Revenue (Expense) and Changes in Net Position (Deficit): Business-type Activities	Totals: 2025	Totals: 2024
PRIMARY GOVERNMENT								
Governmental Activities:								
Instruction	$ 32,320,223	$ -	$ 6,542,453	$ -	$ (25,777,770)	$ -	$ (25,777,770)	$ (25,214,905)
Instructional Student Support Services	2,270,395	-	207,759	-	(2,062,636)	-	(2,062,636)	(2,047,326)
Administrative and Financial Support Services	3,565,092	-	331,208	-	(3,233,884)	-	(3,233,884)	(3,351,589)
Operation and Maintenance of Plant Services	4,178,575	-	383,639	146,754	(3,648,182)	-	(3,648,182)	(4,071,840)
Pupil Transportation	2,162,196	-	660,839	-	(1,501,357)	-	(1,501,357)	(1,516,918)
Student Activities	1,548,743	-	157,212	-	(1,391,531)	-	(1,391,531)	(1,390,139)
Interest and Amortization Expense Related to Noncurrent Liabilities	2,065,418	-	354,204	-	(1,711,214)	-	(1,711,214)	(793,916)
Total Governmental Activities	48,110,642	-	8,637,314	146,754	(39,326,574)	-	(39,326,574)	(38,386,633)
Business-Type Activities:								
Food Service	1,331,690	450,386	703,711	-	-	(177,593)	(177,593)	(62,305)
Total Primary Government	$ 49,442,332	$ 450,386	$ 9,341,025	$ 146,754	(39,326,574)	(177,593)	(39,504,167)	(38,448,938)
GENERAL REVENUE								
Property Taxes Levied for General Purposes					23,542,675	-	23,542,675	22,324,897
Earned Income Taxes Levied for General Purposes					4,091,291	-	4,091,291	3,972,175
Other Taxes Levied for General Purposes					615,141	-	615,141	542,687
Grants and Entitlements Not Restricted to Specific Programs					7,738,098	-	7,738,098	7,448,523
Investment Earnings					79,771	1,512	81,283	131,544
Total General Revenues					36,066,976	1,512	36,068,488	34,419,826
CHANGES IN NET POSITION (DEFICIT)					(3,259,598)	(176,081)	(3,435,679)	(4,029,112)
Net Position (Deficit) - Beginning of Year					(55,417,734)	470,048	(54,947,686)	(50,918,574)
NET POSITION (DEFICIT) - END OF YEAR					$ (58,677,332)	$ 293,967	$ (58,383,365)	$ (54,947,686)

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Major Fund	Non-Major	Totals	
	General Fund	Capital Projects Fund	2025	2024
ASSETS				
Cash	$ 633,764	$ 30,701	$ 664,465	$ 366,974
Taxes Receivable	1,629,896	-	1,629,896	1,494,589
Due from Other Governments	2,157,569	-	2,157,569	1,658,543
Other Receivables	-	-	-	800
Total Assets	$ 4,421,229	$ 30,701	$ 4,451,930	$ 3,520,906
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts Payable	$ 3,172,852	$ 15,565	$ 3,188,417	$ 2,560,033
Short Term Note Payable	5,006,361	-	5,006,361	-
Due to Other Funds	425,838	-	425,838	416,686
Accrued Salaries, Payroll Withholdings, and Benefits	5,936,526	-	5,936,526	5,609,075
Total Liabilities	14,541,577	15,565	14,557,142	8,585,794
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property and Per Capita Taxes	532,247	-	532,247	376,620
FUND BALANCES (DEFICIT)				
Restricted for:				
Capital Projects	-	15,136	15,136	52,036
Unassigned (Deficit)	(10,652,595)	-	(10,652,595)	(5,493,544)
Total Fund Balances (Deficit)	(10,652,595)	15,136	(10,637,459)	(5,441,508)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	$ 4,421,229	$ 30,701	$ 4,451,930	$ 3,520,906

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2025

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Funds	$ (10,637,459)
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.	60,778,318
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.	532,247
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 (deficit).	(17,181)
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).	739,988
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported in the governmental funds balance sheet.	6,940,159
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	(116,387,709)
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.	(625,695)
Net Position of Governmental Activities as Reported on the Statement of Net Position (Deficit)	$ (58,677,332)

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	Major Fund	Non-Major		
	General Fund	Capital Projects Fund	Totals 2025	Totals 2024
REVENUES				
Local Sources	$ 28,338,068	$ -	$ 28,338,068	$ 27,829,100
State Sources	15,419,078	-	15,419,078	15,332,054
Federal Sources	1,081,585	-	1,081,585	1,256,566
Total Revenues	44,838,731	-	44,838,731	44,417,720
EXPENDITURES				
Current:				
Instruction	31,234,471	-	31,234,471	29,450,144
Support Services	11,921,158	96,053	12,017,211	12,007,025
Operation of Noninstructional Services	1,484,270	-	1,484,270	1,440,403
Facilities Acquisition, Construction, and Improvement Services	527,111	36,900	564,011	158
Debt Service				
Principal	2,909,513			
Interest	2,290,118	-	2,290,118	5,092,136
Total Expenditures	50,366,641	132,953	50,499,594	47,989,866
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,527,910)	(132,953)	(5,660,863)	(3,572,146)
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Receipts	-	-	-	(55,157)
Issuance of Debt	368,859	-	368,859	-
Issuance of Right-to-Use Arrangements	-	96,053	96,053	-
Total Other Financing Sources (Uses)	368,859	96,053	464,912	(55,157)
NET CHANGE IN FUND BALANCES (DEFICIT)	(5,159,051)	(36,900)	(5,195,951)	(3,627,303)
Fund Balances - Beginning of Year	(5,493,544)	52,036	(5,441,508)	(1,814,205)
FUND BALANCES - END OF YEAR	$ (10,652,595)	$ 15,136	$ (10,637,459)	$ (5,441,508)

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Governmental Funds		$ (5,195,951)
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/amortization expense. This is the amount by which depreciation/amortization expense exceeded capital outlays in the current period.		
Capital Outlay Expenditures	$ 649,113	
Depreciation/Amortization Expense	(2,427,033)	(1,777,920)
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, 2024	(376,620)	
Deferred Inflows of Resources June 30, 2025	532,247	155,627
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.		460,349
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts, and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of Right-to-Use Leases Payable	106,030	
Payment of Deferred Amounts on Debt Refunding	(82,221)	
Amortization of Discounts, Premiums, and Deferred Amounts on Debt	485,180	
Proceeds from Bonds and Notes Payable	(368,859)	
Repayment of Bonds and Notes Payable	2,707,430	2,847,560
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	23,825	
Current Year Change in Compensated Absences	(353,356)	
Current Year Change in Net Pension Liability - PSERS and Deferred Outflows and Inflows	864,100	
Current Year Change in OPEB Liability - Single Employer and Deferred Outflows and Inflows	(288,672)	
Current Year Change in Net OPEB Liability - PSERS and Deferred Outflows and Inflows	4,840	250,737
Change in Net Position of Governmental Activities as Reported on the Statement of Activities		$ (3,259,598)

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Major Fund			
	Food Service Fund		Internal Service Fund	
	2025	2024	2025	2024
ASSETS				
Current Assets:				
Cash	$ 46,965	$ 276,038	$ 20,696	$ 10,667
Due from Other Governments	58,264	-	-	-
Due from Other Funds	425,838	416,686	-	-
Other Receivables	-	-	743,424	135,719
Inventories	24,176	17,343	-	-
Total Current Assets	555,243	710,067	764,120	146,386
Noncurrent Assets:				
Depreciable Capital Assets, Net	121,241	133,840	-	-
Total Assets	676,484	843,907	764,120	146,386
LIABILITIES				
Accounts Payable	355,666	350,136	-	-
Insurance Claims Payable	-	-	781,301	623,916
Unearned Revenues	26,851	23,723	-	-
Total Liabilities	382,517	373,859	781,301	623,916
NET POSITION (DEFICIT)				
Investment in Capital Assets	121,241	133,840	-	-
Unrestricted (Deficit)	172,726	336,208	(17,181)	(477,530)
Total Net Position (Deficit)	$ 293,967	$ 470,048	$ (17,181)	$ (477,530)

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	Major Fund			
	Food Service Fund		Internal Service Fund	
	2025	2024	2025	2024
OPERATING REVENUES				
Charges for Services	$ 450,386	$ 413,792	$ 6,332,976	$ 5,101,736
OPERATING EXPENSES				
Employee Benefits	-	-	5,873,434	5,758,728
Purchased Services	555,912	552,912	-	-
Supplies	696,555	600,710	-	-
Depreciation	12,599	14,020	-	-
Other	66,624	62,210	-	-
Total Operating Expenses	1,331,690	1,229,852	5,873,434	5,758,728
OPERATING INCOME (LOSS)	(881,304)	(816,060)	459,542	(656,992)
NONOPERATING REVENUES				
Earnings on Investments	1,512	2,208	807	1,235
State Sources	155,120	152,217	-	-
Federal Sources	548,591	601,538	-	-
Total Nonoperating Revenues	705,223	755,963	807	1,235
CHANGE IN NET POSITION (DEFICIT)	(176,081)	(60,097)	460,349	(655,757)
Net Position (Deficit) - Beginning of Year	470,048	530,145	(477,530)	178,227
NET POSITION (DEFICIT) - END OF YEAR	$ 293,967	$ 470,048	$ (17,181)	$ (477,530)

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	Major Fund			
	Food Service Fund		Internal Service Fund	
	2025	2024	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Charges for Services	$ 453,514	$ 428,158	$ -	$ -
Cash Received for Assessments Made to Other Fund	-	-	6,332,976	5,101,736
Cash Payments to Suppliers for Goods and Services	(1,197,566)	(916,211)	-	-
Cash Paid for Insurance Claims	-	-	(6,323,754)	(5,511,574)
Cash Paid for Operating Expenses	(66,624)	(62,210)	-	-
Net Cash Provided (Used) by Operating Activities	(810,676)	(550,263)	9,222	(409,838)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Sources	140,802	152,217	-	-
Federal Sources	439,289	517,119	-	-
Net Cash Provided by Noncapital Financing Activities	580,091	669,336	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	-	(94,321)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on Investments	1,512	2,208	807	1,235
NET CHANGE IN CASH	(229,073)	26,960	10,029	(408,603)
Cash - Beginning of Year	276,038	249,078	10,667	419,270
CASH - END OF YEAR	$ 46,965	$ 276,038	$ 20,696	$ 10,667
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (881,304)	$ (816,060)	$ 459,542	$ (656,992)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	12,599	14,020	-	-
Donated Commodities Used	65,356	84,419	-	-
(Increase) Decrease in:				
Inventories	(6,833)	1,127	-	-
Due from Other Funds	(9,152)	(90,117)	-	-
Other Receivables	-	-	(607,705)	(135,719)
Increase (Decrease) in:				
Accounts Payable	5,530	241,982	-	-
Insurance Claims Payable	-	-	157,385	382,873
Unearned Revenue	3,128	14,366	-	-
Net Cash Provided (Used) by Operating Activities	$ (810,676)	$ (550,263)	$ 9,222	$ (409,838)
SUPPLEMENTAL DISCLOSURES OF NONCASH NONCAPITAL FINANCING ACTIVITY				
USDA Donated Commodities	$ 65,356	$ 84,419	$ -	$ -

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
STATEMENT OF NET POSITION –
FIDUCIARY FUND
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Custodial Fund	
	2025	2024
ASSETS		
Cash	$ 148,857	$ 163,760
Total Assets	148,857	144,492
LIABILITIES	-	-
NET POSITION		
Restricted for Student Activities	148,857	163,760
Total Net Position	$ 148,857	$ 163,760

See accompanying Notes to Financial Statements.

DALLAS SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION – FIDUCIARY FUND
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	Custodial Fund	
	2025	2024
ADDITIONS		
Receipts from Student Groups	$ 106,532	$ 236,846
DEDUCTIONS		
Student Activity Disbursements	121,435	217,578
CHANGE IN NET POSITION	(14,903)	19,268
Net Position - Beginning of Year	163,760	144,492
NET POSITION - END OF YEAR	$ 148,857	$ 163,760

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION AND PURPOSE

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, 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).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.** Amount of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets.

- **Restricted net position.** 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.** 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.

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, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

General Fund

This 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.

Capital Projects Fund

This 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. The District considers federal, state and other grant revenues to be available if they can be used to finance expenditures within the current fiscal period or one year. Deferred inflows of resources are reported in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditure Recognition

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

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. 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:

Food Service Fund

This fund accounts for the revenues and costs of providing meals to students during the school year.

Internal Service Fund

This 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

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

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 2024-2025 was 14.3019 mills ($14.3019 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (2%) is not applicable to installment payments; however, the penalty (10%) 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 to 50 Years
Furniture and Equipment	5 to 20 Years

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease is comprised of fixed payments.

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

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, 2025.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

District policies permit employees to accumulate earned but unused leave days. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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. Bond premiums, discounts, and deferred refunding amounts are amortized using the effective interest method, which allocates amortization based on the relationship between the carrying value of the debt and the periodic interest expense, resulting in a constant effective rate of interest over the life of the debt.

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.

Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing, multiemployer defined benefit pension plan. GASB establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

The District's OPEB plans are accounted for under the provisions of GASB establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

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

District OPEB Plan

The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

Deferred Outflows/Inflows of Resources for Pension and OPEB

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resources are contributions made to the pension plan subsequent to the measurement date and prior to the District's year-end. The contributions will be recognized as a reduction in net pension liability in the following year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred outflows of resources for other OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds.

These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resource are contributions or OPEB payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

Deferred inflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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 fund balance.** 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 fund balance.** Amounts that 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 fund balance.** 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 fund balance.** 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 Manager 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.

- **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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024, from which the summarized information was derived.

Implementation of New Accounting Pronouncements

Effective July 1, 2024, the District adopted the provisions of GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

The objective of GASB Statement No. 101 is to 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 requires 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. The implementation of GASB Statement No. 101 increased liabilities and expenses in the government-wide financial statements of the District for the year ended June 30, 2025.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

New Accounting Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Capital Assets*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The objective of GASB Statement No. 104 is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

GASB Statement No. 105, *Subsequent Events*, will be effective for the District for the year ended June 30, 2027. The objective of GASB Statement No. 105 is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

The District is required to publish notice by advertisement at least once in 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.

Deficit in Fund Equity

At June 30, 2025, the General Fund had a deficit unassigned fund balance of $10,652,595, resulting from expenditures over revenues in the most recent three fiscal years. The negative unassigned fund balance indicates that the General Fund is currently unable to cover its expenditures with available resources. The District is utilizing a combination of increasing revenues through real estate tax millage increases, implementation of cost reductions, and debt restructuring to reduce the deficit in future years.

At June 30, 2025, the Internal Service Fund had a deficit net position of $17,181, resulting from expenses over revenues in the most recent fiscal year. The negative net position indicates that the Internal Service Fund is currently unable to cover its expenses with available resources. The District will fund the deficit created by insurance claims payable at year-end with transfers from the General Fund as obligations become due.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Expenditures in Excess of Appropriations

For the fiscal year ended June 30, 2025, the General Fund had expenditures in excess of appropriations totaling $5,905,385 resulting essentially from expenditures over appropriations from regular programs of $1,459,246, special programs of $698,958, vocational programs of 1,116,103, support services of $999,996 student activities of $970,820, facilities acquisition, construction and improvement services of $527,111 and debt service of $145,840. Expenditures over appropriations from these functions are primarily due to higher-than anticipated costs associated with employee benefits for healthcare claims, purchased services for special education and capital projects that were in part funded with intergovernmental revenues and the issuance of long-term debt.

NOTE 4 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.

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, 2025, the carrying amount of the District's deposits was $880,982 and the bank balance was $1,175,872. 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, $261,168 was covered by federal depository insurance and $914,704 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.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 371,280	$ -	$ -	$ 371,280
Capital Assets Being Depreciated/Amortized:				
Buildings and Improvements	100,554,933	376,358	-	100,931,291
Furniture and Equipment	4,148,733	176,702	-	4,325,435
Right-to-Use Lease Assets	251,325	96,053	-	347,378
Subtotal	104,954,991	649,113	-	105,604,104
Less: Accumulated Depreciation/Amortization for:				
Buildings and Improvements	(39,280,447)	(2,031,695)	-	(41,312,142)
Furniture and Equipment	(3,300,111)	(314,277)	-	(3,614,388)
Right-to-Use Lease Assets	(189,475)	(81,061)	-	(270,536)
Subtotal	(42,770,033)	(2,427,033)	-	(45,197,066)
Total Capital Assets Being Depreciated/Amortized, Net	62,184,958	(1,777,920)	-	60,407,038
Governmental Activities Capital Assets, Net	$ 62,556,238	$ (1,777,920)	$ -	$ 60,778,318
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 365,720	$ -	$ -	$ 365,720
Less: Accumulated Depreciation	(231,880)	(12,598)	-	(244,478)
Business-Type Activities Capital Assets, Net	$ 133,840	$ (12,598)	$ -	$ 121,242

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

Governmental Activities:	
Instruction	$ 1,764,740
Instructional Student Support Services	130,015
Administrative and Financial Support Services	207,270
Operation and Maintenance of Plant Services	240,081
Student Activities	84,927
Total Depreciation/Amortization Expense - Governmental Activities	$ 2,427,033
Business-Type Activities:	
Food Service	$ 12,598

NOTE 6 INTERNAL RECEIVABLES AND PAYABLES

A summary of interfund balances for the year ended June 30, 2025 is as follows:

Receivable To	Amount	Payable From	Amount
Food Service Fund	$ 425,838	General Fund	$ 425,838

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

NOTE 7 NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds Payable	$ 54,020,000	$ -	$ 2,595,000	$ 51,425,000	$ 2,685,000
Notes Payable	697,533	368,859	112,430	953,962	146,426
Bond Premiums	4,284,756	-	507,452	3,777,304	507,452
Bond Discounts	(362,717)	-	(22,272)	(340,445)	(22,275)
Total General Obligation Debt	58,639,572	368,859	3,192,610	55,815,821	3,316,603
Other Noncurrent Liabilities:					
Right-to-Use Leases Payable	395,774	96,053	202,083	289,744	9,025
Compensated Absences	648,970	353,356	-	1,002,326	817,518
OPEB Liability	7,620,053	-	559,918	7,060,135	-
Net OPEB Liability - PSERS	2,219,920	-	100,604	2,119,316	-
Net Pension Liability - PSERS	54,673,761	-	4,573,394	50,100,367	-
Total Other Noncurrent Liabilities	65,558,478	449,409	5,435,999	60,571,888	826,543
Total Noncurrent Liabilities	$ 124,198,050	$ 818,268	$ 8,628,609	$ 116,387,709	$ 4,143,146

Noncurrent liabilities are generally liquidated by the General Fund.

The change in the compensated absence liability is presented as a net change.

NOTE 8 GENERAL OBLIGATION DEBT

General obligation debt outstanding as of June 30, 2025 consisted of the following:

	Interest Rate(s)	Issue Amount	Final Maturity	Principal Outstanding
General Obligation Bonds:				
Series of 2015	0.45%-2.75%	$ 5,980,000	09/01/2026	$ 965,000
Series of 2016	3.00%-5.00%	$ 13,425,000	04/01/2029	8,895,000
Series of 2017	3.00%-5.00%	$ 18,350,000	07/15/2041	18,315,000
Series of 2019	4.00%-5.00%	$ 27,115,000	10/15/2034	23,250,000
Total General Obligation Bonds				51,425,000
General Obligation Note:				
Series of 2021	2.35%	$ 1,007,000	02/08/2031	599,823
Series of 2025	5.319%	$ 368,859	02/08/2031	354,139
Total General Obligation Note				953,962
Total General Obligation Debt				$ 52,378,962

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

Year Ending June 30	Principal	Interest	Total
2026	$ 2,831,426	$ 2,181,222	$ 5,012,648
2027	$ 2,945,634	$ 2,059,856	5,005,490
2028	$ 3,055,293	$ 1,947,708	5,003,001
2029	$ 3,275,557	$ 1,798,114	5,073,671
2030	$ 3,270,941	$ 1,621,893	4,892,834
2031-2035	$ 18,735,111	$ 5,445,219	24,180,330
2036-2040	$ 14,135,000	$ 1,905,373	16,040,373
2041-2042	$ 4,130,000	$ 103,782	4,233,782
Total	$ 52,378,962	$ 17,063,167	$ 69,442,129

NOTE 9 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 $347,378. As of June 30, 2025, the value of the lease liabilities is $289,744. The leases have interest rates ranging from 3.00% to 8.25% and the estimated useful lives of the equipment is four to five years as of their contract commencement. The value of the capital assets as of June 30, 2025, is $76,842, net of accumulated amortization of $270,536, and is included with noncurrent assets on the statement of net position (deficit). Future minimum lease payments under these leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 115,165	$ 16,684	$ 131,850
2027	122,186	9,664	131,849
2028	19,484	2,161	21,646
2029	20,481	1,180	21,661
2030	12,428	208	12,636
Total	$ 289,745	$ 29,898	$ 319,642

NOTE 10 PENSION PLAN

Plan Description

PSERS is a governmental cost-sharing, multiemployer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

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

NOTE 10 PENSION PLAN (CONTINUED)

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 (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions

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

Member Conbtribution 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	7.55%	+/-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%

NOTE 10 PENSION PLAN (CONTINUED)

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2025 was 32.92% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $6,103,247 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of $50,100,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2023 to June 30, 2024. 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, 2025, the District's proportion was 0.1197%, which was a decrease of 0.0032% from its proportion measured as of June 30, 2024. As of June 30, 2025, 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).

For the year ended June 30, 2025, the District recognized net pension expense of $5,202,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	$ -	$ 788,000
Net Difference Between Expected and Actual Investment Earnings	829,000	-
Changes in Proportions	260,000	1,036,000
Contributions Subsequent to the Measurement Date	6,103,247	-
Total	$ 7,192,247	$ 1,824,000

Contributions of $6,103,247 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 10 PENSION PLAN (CONTINUED)

Year Ending June 30,	Amount
2026	$ (1,469,000)
2027	1,028,000
2028	(124,000)
2029	(170,000)
Total	$ (735,000)

Actuarial Assumptions

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

- Valuation Date – June 30, 2023;
- Actuarial Cost Method – Entry Age Normal – Level % of Pay;
- Investment Return – 7.00%, includes inflation at 2.50%;
- Salary Growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale;
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023 and as of June 30, 2024;
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary Growth Rate - decreased from 5.00% to 4.50%,
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively,
  - Mortality Rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

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

NOTE 10 PENSION PLAN (CONTINUED)

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	30.00 %	4.80 %
Private Equity	12.00	6.70
Fixed Income	33.50	3.90
Commodities	5.00	2.50
Infrastructure	10.00	6.40
Real Estate	9.50	5.90
Total	100.00 %	

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, 2024.

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.

NOTE 10 PENSION PLAN (CONTINUED)

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's Proportionate Share of the Net Pension Liability	$ 65,997,457	$ 50,100,367	$ 36,676,400

Pension Plan Fiduciary Net Position

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

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other postemployment 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, 2024:

Active Employees Not Fully Eligible	197
Active Employees Fully Eligible But Not Yet Receiving Benefits	2
Retired Employees and Spouses Receiving Benefits	15
Total	214

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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2025. The OPEB liability is $7,060,135, all of which is unfunded. As of June 30, 2025, 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, 2025 was as follows:

Balance as of July 1, 2024	$ 7,620,053
Changes for the Year:	
Service Cost	276,707
Interest on Total OPEB Liability	302,437
Changes of Assumptions	(736,724)
Benefit Payments	(402,338)
Net Changes	(559,918)
Balance as of June 30, 2025	$ 7,060,135

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

For the year ended June 30, 2025, the District recognized OPEB expense of $691,008. At June 30, 2025, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 1,515,740	$ -
Changes in Assumptions	1,287,396	1,181,024
Total	$ 2,803,136	$ 1,181,024

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

Year Ending June 30,	Amount
2026	$ 111,864
2027	111,864
2028	111,864
2029	111,864
2030	111,864
Thereafter	1,062,792
Total	$ 1,622,112

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following presents the OPEB liability for June 30, 2025, 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:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
OPEB Liability	$ 6,580,000	$ 7,060,135	$ 7,616,000

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 5.20%, as well as what the OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
OPEB Liability	$ 7,636,000	$ 7,060,135	$ 6,521,000

Actuarial Methods and Significant Assumptions

The OPEB liability as of June 30, 2025, was determined by using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal,
- Discount Rate – 5.20% – 20-year high-grade municipal rate index. The discount rate changed from 3.93% to 3.20%,
- Salary Growth – 3.25%,
- Assumed Healthcare Cost Trends – Initial rate 7.75% (6.75% for Post-65) grading down to an ultimate rate of 4.00%.
- Mortality projection scale was projected using MP-2021 to reflect the Society of Actuaries' recent mortality study.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Cost-Sharing, Multiemployer Defined Benefit OPEB Plan

Plan Description

PSERS provides health insurance premium assistance which is a governmental cost-sharing, multiemployer 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, 2024, 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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $116,800 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of $2,119,316 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.1193%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2024. As of June 30, 2025, 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, 2025, the District recognized net OPEB expense of $110,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 8,000	$ 32,000
Changes in Assumptions	129,000	324,000
Net Difference Between Projected and Actual Investment Earnings	2,000	-
Changes in Proportions	107,000	57,000
Contributions Subsequent to the Measurement Date	116,800	-
Total	$ 362,800	$ 413,000

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions of $116,800 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, 2026. 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 Ending June 30,	Amount
2026	$ (9,000)
2027	(53,000)
2028	(64,000)
2029	(21,000)
2030	(20,000)
Total	$ (167,000)

Actuarial Assumptions

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

- Actuarial Cost Method – Entry Age Normal – Level % of Pay,
- Investment Return – 4.21% – 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%.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset Valuation Method – Market Value.
- Participation Rate – the actual data for retirees benefiting under the 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.00 %	1.70 %

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, 2024.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.21%. 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 4.21% which represents the Standard & Poor's 20-year municipal bond rate at June 30, 2024, 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 Premium Assistance. As of June 30, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2024, 92,677 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2024, 522 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$ 2,119,128	$ 2,119,316	$ 2,119,467

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
District's Proportionate Share of the Net OPEB Liability	$ 2,394,183	$ 2,119,316	$ 1,889,127

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.

NOTE 12 JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

Joint Venture

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 2024-2025 was $541,890.

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

NOTE 12 JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION (CONTINUED)

Jointly Governed Organizations

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 2024-2025, the District contracted with the LIU for services which totaled $860,765. As of June 30, 2025 the District's payable to LIU is $1,612,821.

NOTE 13 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

NOTE 14 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 2024-2025 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 RISK MANAGEMENT (CONTINUED)

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, 2025 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, 2025 and 2024:

	2025	2024
Insurance Claims Liability - Beginning of Year	$ 623,916	$ 241,043
Current Year Insurance Claims and Changes in Estimates	5,873,434	5,758,728
Insurance Claims Paid	(5,716,049)	(5,375,855)
Insurance Claims Liability - End of Year	$ 781,301	$ 623,916

NOTE 15 SUBSEQUENT EVENTS

On July 1, 2025, the District issued a Tax Anticipation Note in the amount of $6,500,000 for the 2025-2026 fiscal year to provide interim financing for operations pending the collection of property tax revenues and matures on June 30, 2026.

On July 1, 2026, the District issued a Tax Anticipation Note in the amount of $6,500,000 for the 2026-2027 fiscal year to provide interim financing for operations pending the collection of property tax revenues and matures on June 30, 2027.

On May 27, 2026, the District entered into a short-term borrowing and issued a $4,500,000 Time Note, Series of 2026. The note bears interest at a fixed rate of 5.75% and matures on September 30, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

DALLAS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Local Sources	$ 28,369,612	$ 28,338,068	$ (31,544)
State Sources	15,173,971	15,419,078	245,107
Federal Sources	1,505,000	1,081,585	(423,415)
Total Revenues	45,048,583	44,838,731	(209,852)
EXPENDITURES			
Instruction:			
Regular Programs	21,019,084	22,478,330	(1,459,246)
Special Programs	6,863,188	7,562,146	(698,958)
Vocational Programs	56,038	1,172,141	(1,116,103)
Other Instructional Programs	33,543	21,854	11,689
Total Instruction	27,971,853	31,234,471	(3,262,618)
Support Services:			
Pupil Support Services	1,324,315	1,357,435	(33,120)
Instructional Staff Services	368,796	367,274	1,522
Administrative Services	2,179,842	2,384,323	(204,481)
Pupil Health	364,192	425,276	(61,084)
Business Services	701,194	913,257	(212,063)
Operation and Maintenance of Plant Services	3,698,166	3,957,246	(259,080)
Student Transportation Services	2,130,657	2,162,196	(31,539)
Support Services - Central	100,000	324,896	(224,896)
Other Support Services	54,000	29,255	24,745
Total Support Services	10,921,162	11,921,158	(999,996)
Operation of Noninstructional Services:			
Student Activities	513,450	1,484,270	(970,820)
Facilities Acquisition, Construction, and Improvement Services	-	527,111	(527,111)
Debt Service	5,053,791	5,199,631	(145,840)
Total Expenditures	44,460,256	50,366,641	(5,906,385)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	588,327	(5,527,910)	(6,116,237)
OTHER FINANCING SOURCES (USES)			
Issuance of Long-Term Debt	-	368,859	368,859
Budgetary Reserve	(1,070,000)	-	1,070,000
Total Other Financing Sources (Uses)	(1,070,000)	368,859	1,438,859
NET CHANGE IN FUND BALANCE	$ (481,673)	(5,159,051)	$ (4,677,378)
Fund Balance - Beginning of Year		(5,493,544)	
FUND BALANCE - END OF YEAR		$ (10,652,595)	

DALLAS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PSERS
LAST TEN YEARS

	Measurement Date									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.1197%	0.1229%	0.1224%	0.1211%	0.1157%	0.1148%	0.1034%	0.1073%	0.1106%	0.1154%
District's Proportionate Share of the Net Pension Liability	$ 50,100,367	$ 54,673,761	$ 54,417,476	$ 49,719,700	$ 56,969,542	$ 53,706,434	$ 49,637,134	$ 52,993,759	$ 54,810,000	$ 49,986,000
District's Covered Payroll	$ 18,942,551	$ 18,798,853	$ 17,996,151	$ 17,170,793	$ 16,215,638	$ 15,831,419	$ 13,921,521	$ 14,287,172	$ 14,329,958	$ 14,848,381
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	264.49%	290.84%	302.38%	289.56%	351.32%	339.24%	356.55%	370.92%	382.49%	336.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%

DALLAS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS – PSERS
LAST TEN YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 6,103,247	$ 6,286,801	$ 6,458,485	$ 6,143,886	$ 5,754,984	$ 5,403,323	$ 5,141,015	$ 4,387,601	$ 4,104,126	$ 3,519,000
Contributions in Relation to the Contractually Required Contribution	6,103,247	6,286,801	6,458,485	6,143,886	5,754,984	5,403,323	5,141,015	4,387,601	4,104,126	3,519,000
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 18,539,632	$ 18,942,551	$ 18,798,853	$ 17,996,151	$ 17,170,793	$ 16,215,638	$ 15,831,419	$ 13,921,521	$ 14,287,172	$ 14,329,958
Contributions as a Percentage of Covered Payroll	32.92%	33.36%	34.36%	34.14%	33.52%	33.32%	32.47%	31.52%	28.73%	24.56%

DALLAS SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY – SINGLE EMPLOYER PLAN
LAST EIGHT YEARS*

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:								
Service Cost	$ 276,707	$ 244,268	$ 249,184	$ 288,970	$ 280,397	$ 159,180	$ 148,988	$ 143,437
Interest on Total OPEB Liability	302,437	194,218	183,859	110,811	107,583	113,849	119,782	114,995
Changes of Benefit Terms	-	616,449	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	1,300,156	-	280,568	-	202,403	-	-
Changes of Assumptions	(736,724)	387,898	(45,626)	(482,977)	19,940	1,230,640	103,122	(125,230)
Benefit Payments	(402,338)	(399,396)	(111,043)	(76,869)	(231,900)	(192,291)	(256,519)	(254,999)
Net Change in Total OPEB Liability	(559,918)	2,343,593	276,374	120,503	176,020	1,513,781	115,373	(121,797)
Total OPEB Liability, Beginning	7,620,053	5,276,460	5,000,086	4,879,583	4,703,563	3,189,782	3,074,409	3,196,206
Total OPEB Liability, Ending	$ 7,060,135	$ 7,620,053	$ 5,276,460	$ 5,000,086	$ 4,879,583	$ 4,703,563	$ 3,189,782	$ 3,074,409
Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	$ 15,918,000	$ 15,416,909	$ 16,363,000	$ 15,847,484	$ 14,970,000	$ 14,533,703	$ 12,437,378	$ 13,373,189
Net OPEB Liability as a Percentage of Covered Payroll	44.35%	49.43%	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 10-year trend is available.

DALLAS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY – PSERS
LAST EIGHT YEARS*

	Measurement Date							
	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.1193%	0.1227%	0.1224%	0.1211%	0.1155%	0.1148%	0.1034%	0.1073%
District's Proportionate Share of the Net OPEB Liability	$ 2,119,316	$ 2,219,920	$ 2,253,104	$ 2,870,171	$ 2,495,605	$ 2,441,615	$ 2,155,837	$ 2,186,143
District's Covered Payroll	$ 18,942,551	$ 18,798,853	$ 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	11.19%	11.81%	12.52%	16.72%	15.39%	15.42%	15.49%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.13%	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay benefits.

*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 information to present a 10-year trend is available.

DALLAS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS – PSERS
LAST NINE YEARS*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 116,800	$ 121,564	$ 140,361	$ 143,969	$ 140,918	$ 135,970	$ 131,528	$ 115,523	$ 118,629
Contributions in Relation to the Contractually Required Contribution	116,800	121,564	140,361	143,969	140,918	135,970	131,528	115,523	118,629
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 18,539,632	$ 18,942,551	$ 18,942,551	$ 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	63.00%	0.64%	0.74%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%

*In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a 10-year trend is available.

SINGLE AUDIT

DALLAS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Pass Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education:											
Title I - Improving Basic Programs	I	84.010	013-240111	07/01/23 - 09/30/24	$ 617,475	$ 82,330	$ 82,330		$ -	$ -	$ -
Title I - Improving Basic Programs	I	84.010	013-250111	07/01/24 - 09/30/25	524,264	-	-	524,264	524,264	524,264	-
Total ALN 84.010						82,330	82,330	524,264	524,264	524,264	-
Title II - Improving Teacher Quality	I	84.367	020-240111	07/01/23 - 09/30/24	55,507	7,401	7,401		-	-	-
Title II - Improving Teacher Quality	I	84.367	020-250111	07/01/24 - 09/30/25	59,825	-	-	59,825	59,825	59,825	-
Total ALN 84.367						7,401	7,401	59,825	59,825	59,825	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-240111	07/01/23 - 09/30/24	49,388	6,585	6,585	-	-	-	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-250111	07/01/24 - 09/30/25	46,448	-	-	46,448	46,448	46,448	-
Total ALN 84.424						6,585	6,585	46,448	46,448	46,448	-
Passed Through the Pennsylvania Commission on Crime and Delinquency:											
COVID-19 ESSER School Health and Safety Grants	I	84.425D	2020-ES-01-35103	03/13/20 - 09/30/23	131,521	74,070	56,565	68,613	68,613	51,108	-
Total ALN 84.425						74,070	56,565	68,613	68,613	51,108	-
Passed Through the Luzerne Intermediate Unit I.D.E.A. - Part B, Section 611	I	84.027	064-250018	07/01/24 - 06/30/25	314,609	314,609	-	314,609	314,609	-	-
Total U.S. Department of Education						484,995	152,881	1,013,759	1,013,759	681,645	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

DALLAS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Pass Through to Subrecipients
U.S. Department of Health and Human Services											
Passed Through the Pennsylvania Department of Human Services											
Medical Assistance Program	I	93.778	N/A	07/01/24 - 06/30/25	N/A	$ 2,826	$ -	$ 2,826	$ 2,826	$ -	$ -
Total U.S. Department of Health and Human Services						2,826	-	2,826	2,826	-	-
U.S. Department of Agriculture											
Passed-Through Department of Education:											
Breakfast Program	I	10.553	N/A	07/01/24 - 06/30/25	N/A	115,632	-	127,801	127,801	12,169	-
National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	323,657	-	355,434	355,434	31,777	-
Passed-Through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	65,356	-	65,356	65,356	-	-
Total ALN 10.555						389,013	-	420,790	420,790	31,777	-
Total U.S. Department of Agriculture						504,645	-	548,591	548,591	43,946	-
Total Expenditures of Federal Awards						$ 992,466	$ 152,881	$ 1,565,176	$ 1,565,176	$ 725,591	$ -
Special Education Cluster (ALN's #84.027)						$ 314,609	$ -	$ 314,609	$ 314,609	$ -	$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						$ 504,645	$ -	$ 548,591	$ 548,591	$ 43,946	$ -
Medicaid Cluster (ALN's #93.778)						$ 2,826	$ -	$ 2,826	$ 2,826	$ -	$ -

Source Codes
I - Indirect Funding
ALN - Assistance Listing Number

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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

NOTE 1 FEDERAL EXPENDITURES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bristol Borough School District (the District) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2 BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE 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 under Assistance Listing #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2024-2025 fiscal year.

NOTE 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, 2025 was $65,000.

NOTE 5 INDIRECT COSTS

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

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INDEPENDENT AUDITORS' 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, 2025, 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 October 1, 2026.

Report on 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) as a basis for designing 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

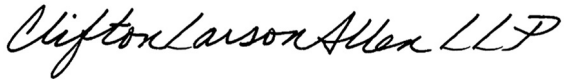
As part of obtaining reasonable assurance about whether Dallas School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Dallas School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Dallas School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Dallas School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 1, 2026

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT 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, 2025. Dallas School District's major federal programs are identified in the summary of auditors' 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, 2025.

Basis for Opinion on Each Major Federal Program

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

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Auditors' 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 Auditors' 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.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 1, 2026

DALLAS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? x yes _____ no
   - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes x no
   - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
84.027, 84.173	Special Education Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? _____ yes x no

Section II – Financial Statement Findings

Finding 2025-001
Repeat Finding 2024-001
Internal Control Over Financial Reporting
Material Weakness in Internal Control

Condition: During the audit, we proposed material adjustments necessary to fairly present the District's financial statements in accordance with generally accepted accounting principles. The nature and significance of the adjustments, together with incomplete year-end reconciliations, demonstrate that the District's controls did not identify and correct material financial reporting errors on a timely basis. Additionally, the General Fund budgetary comparison reflected actual expenditures of $50,366,641 compared with budgeted expenditures of $44,460,256, an unfavorable variance of $5,906,385, and an actual decrease in fund balance of $5,159,051 compared with a budgeted decrease of $481,673. These significant variances further indicate that timely and accurate financial information was not consistently available for management's review and oversight.

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission Internal Control Integrated Framework provides that control activities, including account reconciliations, supervisory reviews, and financial closing procedures, should be designed and implemented to ensure transactions are properly authorized, completely and accurately recorded, and reported in accordance with the applicable financial reporting framework. District management is responsible for establishing and maintaining internal controls sufficient to prevent, or detect and correct, material misstatements on a timely basis.

Cause: Turnover in multiple key Business Office positions resulted in inadequate staffing continuity, incomplete year-end reconciliations, reduced supervisory review, and the untimely identification and correction of accounting and financial reporting matters.

Effect: Material misstatements were not identified and corrected through the District's normal financial reporting process, requiring material audit adjustments. The absence of timely reconciliations and effective review controls increases the risk that errors, irregularities, or fraud could occur and remain undetected and that management and the Board may rely on incomplete or inaccurate financial information when making financial decisions.

Recommendation: We recommend that the District establish and document formal monthly and year-end closing procedures, including completion and independent review of all significant account reconciliations, analysis of unusual transactions and balances, review of budget-to-actual results, and verification that the financial statements conform with generally accepted accounting principles. Responsibilities and completion deadlines should be assigned to specific employees, evidence of review should be retained, and Business Office staff should be cross-trained to maintain continuity during personnel changes.

Auditee Response: The District acknowledges the finding. Turnover in key finance positions contributed to incomplete year-end reconciliations and weaknesses in the financial reporting process. The District is developing formal procedures, strengthening review controls, and cross-training Business Office staff to ensure reconciliations are completed timely and financial information is accurately reported in accordance with generally accepted accounting principles.

Finding 2025-002
Budgetary Control and Financial Management
Material Weakness in Budget Development and Monitoring

Condition: The District's General Fund incurred actual expenditures of $50,366,641 compared with final budgeted expenditures of $44,460,256, resulting in an unfavorable variance of $5,906,385. Significant unfavorable variances included $3,262,618 for instruction, $999,996 for support services, $970,820 for student activities, and $527,111 for facilities acquisition, construction, and improvement services for which no budget was provided. Within instruction, unfavorable variances included $1,459,246 for regular programs, $698,958 for special programs, and $1,116,103 for vocational programs. As a result, the District reported an actual decrease in General Fund balance of $5,159,051 compared with a budgeted decrease of $481,673, an unfavorable variance of $4,677,378, and ended the year with a negative General Fund balance of $10,652,595. These variances demonstrate that the approved budget did not reasonably reflect anticipated expenditures and was not effectively monitored or amended during the year.

Criteria: Effective budgetary control requires the annual budget to be developed using reasonable and supportable estimates, actual results to be compared with budgeted amounts throughout the fiscal year, significant variances to be promptly investigated, and necessary budget amendments to be presented to the Board for approval before available appropriations are exceeded. The budget should serve as an effective authorization, monitoring, and financial management tool.

Cause: The budget development process did not adequately incorporate historical expenditure trends, known operating requirements, and anticipated changes in instructional and other program costs. In addition, management did not perform sufficiently detailed and timely budget-to-actual monitoring or propose necessary budget amendments as significant unfavorable variances developed.

Effect: The District incurred expenditures substantially exceeding approved appropriations and experienced a significantly greater reduction in General Fund balance than anticipated. The lack of effective budgetary controls impaired the usefulness of the budget as a financial management tool, limited timely Board oversight, and increased the risk of unauthorized expenditures, cash-flow difficulties, and further deterioration of the District's financial position.

Recommendation: We recommend that the District implement a formal budget development and monitoring process that incorporates historical results, current staffing and contractual obligations, anticipated program costs, and known operational changes. Detailed budget-to-actual reports should be reviewed by management at least monthly and provided to the Board periodically. Significant variances should be investigated and documented, corrective action should be taken promptly, and budget amendments should be submitted to the Board before appropriations are exceeded. Management should also develop and regularly update a multiyear financial recovery plan addressing the General Fund deficit and restoration of a sustainable fund balance.

Auditee Response: The District acknowledges the finding and will strengthen its budget development and monitoring procedures. Management will perform periodic budget-to-actual reviews, investigate significant variances, provide appropriate financial information to the Board, and present timely budget amendments when necessary. Historical expenditure trends, known commitments, and anticipated operational changes will be incorporated into future budgets to improve the accuracy of financial projections and address the General Fund deficit.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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