

PENN MANOR SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2025



PENN MANOR SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2025

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PENN MANOR SCHOOL DISTRICT

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Independent Auditor's Report

Board of School Directors
Penn Manor School District
Millersville, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Penn Manor School District (the School District or District) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Penn Manor 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Penn Manor 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with 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 Penn Manor 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 Penn Manor 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, schedules of pension information, the information about other postemployment benefits - schedule of funding progress and budgetary comparison information 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 Penn Manor School District's basic financial statements. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025 on our consideration of Penn Manor 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 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 Penn Manor School District's internal control over financial reporting and compliance.



Lancaster, Pennsylvania
December 12, 2025

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2025 (Required Supplementary Information) (Unaudited)

The discussion and analysis of Penn Manor School District's financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2025. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the notes to the basic financial statements and the financial statements to enhance the understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2025 are as follows:

- Capital assets, net of depreciation, decreased by \$6.8 million. The overall total of capital assets decreased during 2024-25 as depreciation expenses outpaced asset additions.
- Revenues totaled \$115.0 million. General revenues accounted for \$86.5 million or 75.2% of total revenues, in comparison to \$83.1 million or 76.3% of total revenues in the prior year. Program specific revenues in the form of charges for services and food sales, grants and contributions accounted for \$28.5 million or 24.8% of total revenues, which is higher than the prior year.
- The School District had \$110.5 million in expenses related to governmental activities; \$24.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$86.4 million were adequate to provide for these programs.
- The general fund had \$111.1 million in revenues and \$112.3 million in expenditures and other financing uses. This resulted in a decrease of \$1,114,364 of fund balance, bringing the general fund's fund balance down to \$22.0 million from \$23.1 million. The decrease in the general fund was the result of a \$1,750,000 transfer to the capital reserve fund. Of the remaining fund balance in the general fund, \$14.1 million has been committed for expenses related to planned future facilities renovations and healthcare. The ending unassigned fund balance on June 30, 2025 of \$7.8 million represents 6.8% of the budgeted expenditures and other financing uses for the 2025-26 fiscal year.
- Net position for the proprietary fund decreased by \$125,625 from \$3,155,070 to \$3,029,445. Operating revenues and operating expenses all increased in 2024-25. Nonoperating revenues decreased in 2024-25 as the School District saw lower federal subsidies that were partially offset by higher state subsidies.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Penn Manor School District as a financial whole.

The statement of net position (deficit) and statement of activities provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how the services were financed in the short term, as well as what remains for future spending. The fund financial statements also present the School District's most significant funds – in the case of Penn Manor School District, the general fund is the most significant fund.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2025 (Required Supplementary Information) (Unaudited)

Reporting on the School District as a Whole

The analysis for the School District as a whole begins on page 14. One of the most important questions asked about the School District's finances is, "Have our financial results this year improved or diminished our overall financial position?" The statement of net position (deficit) and the statement of activities report information about the School District as a whole and about the activities in a way that helps answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the School District's net position (deficit) and changes in net position. The change in net position is important because it tells the reader, for the School District as a whole, whether the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors.

In the statement of net position (deficit) and the statement of activities, the School District's financial information is divided into two distinct kinds of activities:

- *Governmental Activities* - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- *Business-Type Activities* - These services are provided on a charge for goods or services basis to recover most of the expenses of the goods or services provided. The School District's food services are reported as business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the School District as a whole. The School District's two principal types of funds, governmental and proprietary, use different accounting approaches.

- Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position (deficit) and the statement of activities) and governmental funds is reconciled in the financial statements.
- Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2025 (Required Supplementary Information) (Unaudited)

The School District as a Whole

Recall that the statement of net position (deficit) provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position (deficit) for 2025 compared to 2024.

(Table 1)
Net Position (Deficit)

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Assets and deferred outflows:						
Current assets	\$ 37,023,604	\$ 35,041,894	\$ 2,721,381	\$ 2,812,459	\$ 39,744,985	\$ 37,854,353
Capital and noncurrent assets	181,019,187	188,130,814	733,088	415,166	181,752,275	188,545,980
Deferred outflows	15,947,756	19,867,153	-	-	15,947,756	19,867,153
Total assets and deferred outflows	\$ 233,990,547	\$ 243,039,861	\$ 3,454,469	\$ 3,227,625	\$ 237,445,016	\$ 246,267,486
Liabilities and deferred inflows:						
Current liabilities	\$ 20,462,202	\$ 18,233,549	\$ 336,227	\$ 44,561	\$ 20,798,429	\$ 18,278,110
Noncurrent liabilities	211,480,434	222,770,392	88,797	27,994	211,569,231	222,798,386
Deferred inflows	5,542,562	6,229,077	-	-	5,542,562	6,229,077
Total liabilities and deferred inflows	237,485,198	247,233,018	425,024	72,555	237,910,222	247,305,573
Net position (deficit):						
Net investment in capital assets	84,426,705	85,521,550	733,088	415,166	85,159,793	85,936,716
Restricted	1,074,444	117,107	-	-	1,074,444	117,107
Unrestricted (deficit)	(88,995,800)	(89,831,814)	2,296,357	2,739,904	(86,699,443)	(87,091,910)
Total net position (deficit)	(3,494,651)	(4,193,157)	3,029,445	3,155,070	(465,206)	(1,038,087)
Total liabilities, deferred inflows and net position (deficit)	\$ 233,990,547	\$ 243,039,861	\$ 3,454,469	\$ 3,227,625	\$ 237,445,016	\$ 246,267,486

In total, net position increased approximately \$573,000 from 2024. Net position of governmental activities increased by approximately \$699,000 while the net position of business-type activities decreased by approximately \$126,000. The change in net position for the food services operation is approximately \$539,000 lower than 2024. The food service operations expense increases were associated with a \$375,600 increase in employee benefits with most of that attributed to medical expense directly related to the cost associated with a self-funded medical plan, as well as a \$75,400 increase to salary cost with being nearly fully staffed and the annual salary increase. On the revenue side, there was a reduction of \$148,540 in the federal lunch subsidies. Looking ahead, School District general fund support for the food service operation is not expected other than the required annual transfer to cover student debts. The School District expects an increase in operating expenses as the department is nearly fully staffed and food, milk and other prices continue to escalate. While general fund support may resume in future years, the expectation is to continue the food service operation entirely self-sufficient.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 YEAR ENDED JUNE 30, 2025
 (Required Supplementary Information)
 (Unaudited)

The School District as a Whole (continued)

(Table 2)
 Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 962,640	\$ 799,381	\$ 949,366	\$ 918,521	\$ 1,912,006	\$ 1,717,902
Operating grants	23,787,791	21,168,974	2,781,584	2,894,253	26,569,375	24,063,227
General revenue:						
Property and other taxes	68,560,917	65,722,171	-	-	68,560,917	65,722,171
Grants and entitlements	15,246,600	14,759,143	-	-	15,246,600	14,759,143
Interest and investment earnings	2,151,619	2,322,268	84,955	91,643	2,236,574	2,413,911
Other	436,434	184,895	16,658	15,700	453,092	200,595
Total revenues	<u>111,146,001</u>	<u>104,956,832</u>	<u>3,832,563</u>	<u>3,920,117</u>	<u>114,978,564</u>	<u>108,876,949</u>
Expenses:						
Program expenses, instruction	70,464,874	64,795,394	-	-	70,464,874	64,795,394
Support services:						
Instructional student support	5,916,343	5,220,210	-	-	5,916,343	5,220,210
Administrative and financial support services	9,810,649	9,437,719	-	-	9,810,649	9,437,719
Operation and maintenance of plant services	8,146,510	7,515,909	-	-	8,146,510	7,515,909
Pupil transportation	5,431,612	5,421,072	-	-	5,431,612	5,421,072
Student activities	2,219,808	1,888,809	-	-	2,219,808	1,888,809
Capital outlay	5,314,604	5,135,639	-	-	5,314,604	5,135,639
Interest on long-term debt	3,105,922	3,041,774	-	-	3,105,922	3,041,774
Food service	-	-	3,958,188	3,506,638	3,958,188	3,506,638
Other expenses	37,173	44,056	-	-	37,173	44,056
Total expenses	<u>110,447,495</u>	<u>102,500,582</u>	<u>3,958,188</u>	<u>3,506,638</u>	<u>114,405,683</u>	<u>106,007,220</u>
Increase (decrease) in net position	<u>\$ 698,506</u>	<u>\$ 2,456,250</u>	<u>\$ (125,625)</u>	<u>\$ 413,479</u>	<u>\$ 572,881</u>	<u>\$ 2,869,729</u>

The statement of activities shows the cost of program services and the charges for services and grants offsetting those costs. Table 2 shows, for governmental and business-type activities, the total cost of services for fiscal year 2024-25 as compared to fiscal year 2023-24.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 YEAR ENDED JUNE 30, 2025
 (Required Supplementary Information)
 (Unaudited)

The School District as a Whole (continued)

Program revenues are used to partially offset the costs of governmental activities. Those program revenues that offset expenses this year include:

- Charges for services which include tuition for nonresident students, fees for extra programs, contracted rental of facilities and admission paid to athletic events.
- Operating grants and contributions include state subsidies for special education, transportation and employee benefits, as well as federal and state grants for specific programs.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services.

(Table 3)
 Governmental Activities

	Total cost of services		Net cost of services	
	2025	2024	2025	2024
Instruction	\$ 70,464,874	\$ 64,795,394	\$ 52,973,018	\$ 50,381,175
Support services:				
Instructional student support	5,916,343	5,220,210	4,407,683	4,149,438
Administrative and financial support services	9,810,649	9,437,719	8,609,521	8,194,475
Operation and maintenance of plant	8,146,510	7,515,909	7,137,864	6,803,325
Pupil transportation	5,431,612	5,421,072	2,714,738	2,867,373
Student activities	2,219,808	1,888,809	1,943,888	1,628,043
Capital outlay	5,314,604	5,135,639	5,314,604	5,135,639
Interest on long-term debt	3,105,922	3,041,774	2,581,817	1,348,002
Other expenses	37,173	44,056	13,931	24,757
Total expenses	\$ 110,447,495	\$ 102,500,582	\$ 85,697,064	\$ 80,532,227

The dependence upon tax revenues and grants and entitlements for governmental activities is apparent. 75.2% of instructional activities are supported through taxes and other general revenues as compared with 77.8% in the previous year. When looking at the total governmental activities, the general revenue and tax support needed decreased from 78.6% to 77.6%. The community, as a whole, is by far the primary financial support for Penn Manor School District.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2025 (Required Supplementary Information) (Unaudited)

The School District as a Whole (continued)

Expenses for governmental activities increased by \$7,946,913, which is a 7.8% increase over the prior year. School year 2024-25 saw increased expenditures in salaries and benefits with the addition of four additional full-time staff positions, the reclassification of two part-time staff positions to full-time. These additional positions, as well as salary increases, account for a \$1,750,000 increase year over year. The benefits related to this salary growth resulted in a \$1,344,000 increase year over year. The School District operates a self-funded and group medical plan. This means increases in expenses are absorbed by the School District. In school year 2024-25, total medical expenditures were similar to the prior year. In the contracted special education services, the District has experienced an increase in students requiring services, the levels of services and the costs of those services. These factors lead to a \$1,700,000 increase from these expenditures in school year 2023-24. In the maintenance and utilities expenditures, there were a number of large maintenance repair projects and inflationary growth in the utilities resulting in nearly \$400,000 of increases in these expenditures. The rest of the increase in expenditures is attributed to inflationary and contractual increases.

Business-Type Activities

Business-type activities consist only of food service operations. This program had revenues, including state and federal support, of \$3.82 million and expenses of \$3.96 million for the fiscal year. Meal prices were held constant with the previous year. Net position was \$3,029,445 as of June 30, 2025. The decrease of net position can be attributed to increased costs of staff salaries and benefits and reduction of federal lunch subsidies. The food service operation received minimal support from tax revenues in 2024-25, only that required to offset uncollectable student debts. No transfer from the general fund has been budgeted for the 2025-26 school year in an effort to promote self-sustainability in the food service operation although it is likely that a small transfer will be required to offset uncollectable student debts.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$111.2 million and expenditures and other financing uses of \$111.3 million. This resulted in the overall fund balance decreasing by \$157,985.

- General fund transfers to other funds included a planned transfer to the capital reserve fund of \$1,750,000.
- The fund balance in the general fund decreased by \$1,114,364. Legislation enacted in December 2003 mandates that a school district may not carry an unassigned fund balance that exceeds 8% of expenditures. A commitment of fund balance occurred during the year-end process that set the estimated unassigned fund balance at 6.8%. A recommitment of funds will occur during the budgeting process for the 2026-27 fiscal year to accommodate the current year estimates calculated each spring.
- The School District starts the next fiscal year with a total fund balance of 19.1% of budgeted expenditures and other financing uses. A large portion of the fund balance is committed for expected expenditures related to planned future facilities renovations and healthcare.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2025 (Required Supplementary Information) (Unaudited)

The School District's Funds (continued)

- The board of directors passed a budget with a \$780,000 deficit for the 2024-25 budget year and implemented a 3% tax increase for the 2024 tax levy. \$750,000 of this deficit is a result of the creation of a budgetary reserve that was not funded with additional revenues but will use reserves as needed. As costs have risen and tough economic years are expected in the future, the Act 1 Index has been increased for the 2024-25 budget year. The adjusted index for Penn Manor School District has been set at 6.8% for the 2024-25 fiscal year, which is higher than the ten-year average of 3.76% and highest since implementation of the Act 1 Index.

General Fund Budgeting Highlights

The School District's general fund budget is prepared according to Pennsylvania law.

During the course of fiscal year 2024-25, the School District administered expenditures based on its general fund budget. The School District uses site-based budgeting, and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the fiscal year, the School Board approves certain budgetary transfers to be made, as needed, to comply with statutory requirements.

For the general fund, actual revenues were \$111.1 million; this was \$5,318,426 over the original budget estimates of \$105.8 million. The difference between actual and budgeted revenue is composed of fluctuations within several of the revenue accounts comprised of an additional \$1,665,245 received in local revenues (comprised of approximately \$496,000 increase in other taxes, \$489,000 increase in interest earnings and \$632,000 increase in other revenues); an additional \$3,821,346 received in state revenues as a result of increased state funding after the School Board passage of the 2024-25 budget and a reduction of \$168,165 in federal revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year, the School District had \$181.0 million invested in land, buildings and equipment as part of governmental activities. Table 4 shows the fiscal 2024 balance compared to 2025.

(Table 4)
Capital Assets at June 30, Net of Depreciation

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 6,887,173	\$ 6,887,173	\$ -	\$ -	\$ 6,887,173	\$ 6,887,173
Buildings and improvements	170,635,846	177,562,075	-	-	170,635,846	177,562,075
Furniture, equipment and vehicles	3,496,168	3,681,566	733,088	415,166	4,229,256	4,096,732
Totals	\$ 181,019,187	\$ 188,130,814	\$ 733,088	\$ 415,166	\$ 181,752,275	\$ 188,545,980

The overall total of capital assets decreased during 2024-25 as annual depreciation expenses outpaced asset additions. A full appraisal was performed at the end of the 2006-07 fiscal year for insurance purposes and for fixed asset accounting. The fixed asset listing continues to be updated annually, while insurance appraisals are scheduled through the Lancaster-Lebanon Public Schools Insurance Consortium.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2025
(Required Supplementary Information)
(Unaudited)

Capital Assets and Debt Administration (continued)

Debt

At June 30, 2025, the School District had \$90.3 million in bonds and notes outstanding as compared to \$95.6 million a year ago. Table 5 summarizes debt outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental activities	
	2025	2024
General Obligation Bonds:		
Series of 2017	\$ -	\$ 460,000
Series of 2018	36,095,000	36,100,000
Series of 2019 A	35,765,000	35,770,000
Series of 2019 B	9,115,000	9,120,000
General Obligation Note, Series of 2020	<u>9,335,000</u>	<u>14,165,000</u>
Total	<u><u>\$ 90,310,000</u></u>	<u><u>\$ 95,615,000</u></u>

The School District decreased its bonds and notes by a net of \$5.3 million during 2024-25. A significant amount of principal was paid down according to the debt schedules. Standards and Poor's Global has assigned an AA and Stable rating to the Penn Manor School District. The AA rating reflects the School District's very diverse tax base with strong market value per capita, strong budgetary performance and strong financial position paired with good management practices and policies.

For the Future

While Penn Manor School District continues to be strong financially, there are concerns regarding the economic and political outlook for the state and the local community and this impact to school funding. The School District is fortunate to have a large committed fund balance to assist in navigating the immediate and ongoing issues. As the preceding information shows, the School District maintains a healthy investment in capital assets to support and provide comprehensive educational services. The School District also considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Strong academic performance is supported by reasonable and competitive per pupil spending. Balanced payment schedules on existing debt obligations should mean steady tax implications in the future.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2025 (Required Supplementary Information) (Unaudited)

For the Future (continued)

The School District passed the budget for 2025-26 in June 2025 with a 3.5% property tax increase. Under Act 1, the Commonwealth allowed the School District to increase up to the adjusted index of 5.1%. Based on the increases to state funding after the 2024-25 budget was passed by the School Board, the School District was able to remain at or below the Act 1 index in 2025-26. The increased revenue from the 3.5% tax increase for 2025-26 will go toward the funding of future facility projects. Uncertainty in the future years may make this more challenging to maintain tax increases significantly below the adjusted Act 1 index and present significant financial challenges for the School District. Management will continue to carefully control expenses during the coming years to ensure a balance is struck between the need for tax increases in conjunction with the steady structured use of fund balance to balance future budgets.

As we have seen throughout the nation, the economic situation is having an effect on the public sector. Many districts in Pennsylvania face challenges on a number of issues. With the passage of Act 1 of 2006, our School District is faced with a cap on the amount of money that can be funded from a property tax increase. This cap is based upon a number calculated and provided by the Department of Education. Limited tax relief arrived in the 2008-09 tax year as the Commonwealth was able to send school districts a portion of the gambling revenue to be used as an offset to real estate tax increases. In 2024-25, Penn Manor School District was fortunate to receive \$1,973,742 that offset property taxes due from taxpayers who had qualified for the homestead or farmstead exemptions. Other implications of the law include earlier budgetary planning cycles and limits on the tax increases which can be levied without voter referendums.

Many districts face the common problem of escalating costs for employee benefits, particularly the retirement expenses of PSERS and, as in the case for our School District, self-insured medical costs. Both of these costs are set by outside influences and, therefore, are not discretionary costs that can be controlled by School District management.

Market performance of the invested PSERS funds has resulted in estimated increases that will affect our employer contributions for years to come. While the actual effect of the current market has yet to be determined, higher employer costs in the short term and higher rates in the future are being planned for by the School District. This condition will have an alarming effect on school district budgeting across the Commonwealth and may lead to significant reductions in programs and services. The use of the School District's fund balance to contain the projected increases in the employer share of PSERS will not be enough to alleviate the problem, but it will allow the School District to prudently plan for any potential changes. The School District is fortunate to have anticipated the looming crisis and fortunate to have funds available to help lessen the dramatic impact that other districts may experience.

The costs of medical benefits will continue to have an effect on the School District budget as we continue to offer a competitive benefits package to employees through our self-insured plan. The School District continues to implement various wellness strategies to lower the pace of medical inflation. The current Collective Bargaining Agreement was negotiated and is in effect through the 2025-26 school year. Implementation of a stricter spousal rule gives some relief to these costs, and higher employee contributions for those that choose not to participate in the School District's wellness initiative helps to offset a fraction of actual expenses. The District did complete negotiation and approval of the next Collective Bargaining Agreement that will be in effect from July 1, 2026 through June 30, 2029. The employee premiums are still tied to a percentage of the actual cost and the premium percentage will increase for employees and covered spouses that do not participate in the wellness certification.

PENN MANOR SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2025 (Required Supplementary Information) (Unaudited)

For the Future (continued)

One of the biggest challenges that the School District will face relates to staffing recruitment and retention. As the job market tightens in our area, the School District will face increasing pressures to increase rates for hard to fill support staff positions. The board of directors authorized starting wage increases in 2023-24; with this increase in starting wages, there were far less support staff openings throughout the 2024-25 school year and into the 2025-26 school year. The administration will continue to monitor the situation and work with the board of directors on this issue.

In conclusion, Penn Manor School District has committed itself to financial and educational excellence for many years. The School District's system of budgeting and internal controls is well regarded and consistently followed. Continued diligence in all financial matters will be a key component of continued financial performance well into the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it received. If you have questions about this report or need additional financial information, please contact Daniel Forry, Chief Financial Officer, at Penn Manor School District, PO Box 1001, Millersville, PA 17551 or visit our website at www.pennmanor.net.

PENN MANOR SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current assets:			
Cash, cash equivalents and equity in pooled cash and investments	\$ 29,497,791	\$ 2,625,980	\$ 32,123,771
Taxes receivable, net	2,346,841	-	2,346,841
Due from other governments	4,734,452	-	4,734,452
Other receivables	464,396	2,677	467,073
Internal balances	(24,876)	24,876	-
Inventories	-	67,848	67,848
Prepaid expenses	5,000	-	5,000
Total current assets	<u>37,023,604</u>	<u>2,721,381</u>	<u>39,744,985</u>
Noncurrent assets:			
Land	6,887,173	-	6,887,173
Site improvements, net of accumulated depreciation	3,124,190	-	3,124,190
Buildings and building improvements, net of accumulated depreciation	167,511,656	-	167,511,656
Furniture, equipment and educational media, net of accumulated depreciation	3,235,103	686,513	3,921,616
Vehicles, net of accumulated depreciation	261,065	46,575	307,640
Total noncurrent assets	<u>181,019,187</u>	<u>733,088</u>	<u>181,752,275</u>
Total assets	<u>218,042,791</u>	<u>3,454,469</u>	<u>221,497,260</u>
Deferred outflows of resources:			
Pension	14,879,000	-	14,879,000
Other postemployment benefits	756,756	-	756,756
Other postemployment benefits (HIPAP)	312,000	-	312,000
Total deferred outflows of resources	<u>15,947,756</u>	<u>-</u>	<u>15,947,756</u>
Total assets and deferred outflows of resources	<u>\$ 233,990,547</u>	<u>\$ 3,454,469</u>	<u>\$ 237,445,016</u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2025

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

	Governmental activities	Business-type activities	Total
	<u> </u>	<u> </u>	<u> </u>
Current liabilities:			
Accounts payable	\$ 2,971,172	\$ 322,356	\$ 3,293,528
Accrued:			
Salaries and benefits	10,391,873	-	10,391,873
Interest	1,212,326	-	1,212,326
Current portion of:			
Bonds and notes payable	5,380,000	-	5,380,000
Compensated absences	375,729	11,227	386,956
Payroll deductions and withholdings	82,172	-	82,172
Unearned revenue	48,930	2,644	51,574
	<u>20,462,202</u>	<u>336,227</u>	<u>20,798,429</u>
Total current liabilities	20,462,202	336,227	20,798,429
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	91,083,554	-	91,083,554
Accrued retirement incentive	1,415,760	-	1,415,760
Other postemployment benefits	3,722,139	-	3,722,139
Other postemployment benefits (HIPAP)	4,599,000	-	4,599,000
Net pension liability	108,781,000	-	108,781,000
Compensated absences, net of current portion	1,878,981	88,797	1,967,778
	<u>211,480,434</u>	<u>88,797</u>	<u>211,569,231</u>
Total noncurrent liabilities	211,480,434	88,797	211,569,231
Total liabilities	231,942,636	425,024	232,367,660
Deferred inflows of resources:			
Pension	2,444,805	-	2,444,805
Other postemployment benefits	2,485,829	-	2,485,829
Other postemployment benefits (HIPAP)	483,000	-	483,000
Deferred amounts from refunding of debt	128,928	-	128,928
	<u>5,542,562</u>	<u>-</u>	<u>5,542,562</u>
Total deferred inflows of resources	5,542,562	-	5,542,562
Net position (deficit):			
Net investment in capital assets	84,426,705	733,088	85,159,793
Restricted	1,074,444	-	1,074,444
Unrestricted	(88,995,800)	2,296,357	(86,699,443)
	<u>(3,494,651)</u>	<u>3,029,445</u>	<u>(465,206)</u>
Total net position (deficit)	(3,494,651)	3,029,445	(465,206)
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 233,990,547</u>	<u>\$ 3,454,469</u>	<u>\$ 237,445,016</u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Program revenues			Net revenue (expense) and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
Instruction	\$ 70,464,874	\$ 688,602	\$ 16,803,254	\$ (52,973,018)	\$ -	\$ (52,973,018)
Instructional student support	5,916,343	-	1,508,660	(4,407,683)	-	(4,407,683)
Administrative and financial support services	9,810,649	-	1,201,128	(8,609,521)	-	(8,609,521)
Operation and maintenance of plant services	8,146,510	212,258	796,388	(7,137,864)	-	(7,137,864)
Pupil transportation	5,431,612	-	2,716,874	(2,714,738)	-	(2,714,738)
Student activities	2,219,808	61,780	214,140	(1,943,888)	-	(1,943,888)
Community services	26,646	-	23,242	(3,404)	-	(3,404)
Scholarships and awards	3,606	-	-	(3,606)	-	(3,606)
Capital outlay	5,314,604	-	-	(5,314,604)	-	(5,314,604)
Interest on long-term debt	3,105,922	-	524,105	(2,581,817)	-	(2,581,817)
Miscellaneous	6,921	-	-	(6,921)	-	(6,921)
Total governmental activities	110,447,495	962,640	23,787,791	(85,697,064)	-	(85,697,064)
Business-type activities, food service	3,958,188	949,366	2,781,584	-	(227,238)	(227,238)
Total primary government	\$ 114,405,683	\$ 1,912,006	\$ 26,569,375	(85,697,064)	(227,238)	(85,924,302)

(continued)

PENN MANOR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Net revenue (expense) and changes in net position		
	Governmental activities	Business-type activities	Total
General revenues:			
Taxes:			
Property taxes, etc.	\$ 59,015,676	\$ -	\$ 59,015,676
Other	9,545,241	-	9,545,241
Grants, subsidies and contributions not restricted	15,246,600	-	15,246,600
Interest and investment earnings	2,151,619	84,955	2,236,574
Transfers	(16,658)	16,658	-
Loss on disposition of capital assets	(4,445)	-	(4,445)
Insurance recoveries	174,312	-	174,312
Miscellaneous income	283,225	-	283,225
Total general revenues	86,395,570	101,613	86,497,183
Change in net position	698,506	(125,625)	572,881
Net position (deficit):			
July 1, 2024	(4,193,157)	3,155,070	(1,038,087)
June 30, 2025	\$ (3,494,651)	\$ 3,029,445	\$ (465,206)

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025

	Major fund, General	Nonmajor fund, Capital reserve	Total governmental funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash, cash equivalents and equity in pooled cash and investments	\$ 28,384,119	\$ 1,113,672	\$ 29,497,791
Taxes receivable, net	2,346,841	-	2,346,841
Due from other governments	4,734,452	-	4,734,452
Other receivables, net	464,396	-	464,396
Prepaid expenses	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total assets	<u><u>\$ 35,934,808</u></u>	<u><u>\$ 1,113,672</u></u>	<u><u>\$ 37,048,480</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 24,876	\$ -	\$ 24,876
Accounts payable	2,882,803	88,369	2,971,172
Accrued salaries and benefits	10,391,873	-	10,391,873
Payroll deductions and withholdings	82,172	-	82,172
Unearned revenue	<u>48,930</u>	<u>-</u>	<u>48,930</u>
Total liabilities	<u><u>13,430,654</u></u>	<u><u>88,369</u></u>	<u><u>13,519,023</u></u>
Deferred inflows of resources, unavailable revenue	<u><u>539,434</u></u>	<u><u>-</u></u>	<u><u>539,434</u></u>
Fund balances:			
Nonspendable, prepaid expenses	5,000	-	5,000
Restricted	49,141	1,025,303	1,074,444
Committed	14,105,521	-	14,105,521
Unassigned	<u>7,805,058</u>	<u>-</u>	<u>7,805,058</u>
Total fund balances	<u><u>21,964,720</u></u>	<u><u>1,025,303</u></u>	<u><u>22,990,023</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 35,934,808</u></u>	<u><u>\$ 1,113,672</u></u>	<u><u>\$ 37,048,480</u></u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2025

Total fund balances, governmental funds **\$ 22,990,023**

Amounts reported for governmental activities in the statement of net position (deficit) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$284,025,865, and the accumulated depreciation is \$103,006,678. 181,019,187

Certain property taxes receivable will be collected subsequent to year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 539,434

Net pension, net other employment benefits and net other postemployment benefits (HIPAP) obligations are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(108,781,000)
Net other postemployment benefits liability	(3,722,139)
Net other postemployment benefits (HIPAP) liability	(4,599,000)

Deferred outflows and inflows of resources related to pension, other postemployment benefits and other postemployment benefits (HIPAP) are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources:	
Pension	14,879,000
Other postemployment benefits	756,756
Other postemployment benefits (HIPAP)	312,000

Deferred inflows of resources:	
Pension	(2,444,805)
Other postemployment benefits	(2,485,829)
Other postemployment benefits (HIPAP)	(483,000)

PENN MANOR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT) (CONTINUED)
JUNE 30, 2025

Deferred gain from refunding of debt is not due and collectable in the current period and, therefore, is not reported as a deferred inflow of resources in the funds. \$ (128,928)

Long-term liabilities, net of related assets, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and notes payable	\$ (90,310,000)	
Accrued interest on the bonds and notes payable	(1,212,326)	
Unamortized bond premium, net of discount	(6,153,554)	
Accrued retirement incentive	(1,415,760)	
Compensated absences	<u>(2,254,710)</u>	<u>(101,346,350)</u>

Total net position (deficit), governmental activities \$ (3,494,651)

PENN MANOR SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Major fund, General	Nonmajor fund, Capital reserve	Total governmental funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Local sources:			
Real estate taxes	\$ 59,001,986	\$ -	\$ 59,001,986
Other taxes	9,545,241	-	9,545,241
Interest and investment earnings	2,141,544	10,075	2,151,619
Other revenue	<u>2,754,061</u>	<u>-</u>	<u>2,754,061</u>
Total local sources	73,442,832	10,075	73,452,907
State sources	36,425,478	-	36,425,478
Federal sources	<u>1,275,029</u>	<u>-</u>	<u>1,275,029</u>
Total revenues	<u>111,143,339</u>	<u>10,075</u>	<u>111,153,414</u>
Expenditures:			
Instructional services	69,569,715	-	69,569,715
Support services	29,717,355	-	29,717,355
Noninstructional services	2,067,849	-	2,067,849
Capital outlay	-	803,696	803,696
Debt service:			
Principal	5,305,000	-	5,305,000
Interest	3,828,511	-	3,828,511
Refund of prior years' receipts	<u>6,921</u>	<u>-</u>	<u>6,921</u>
Total expenditures	<u>110,495,351</u>	<u>803,696</u>	<u>111,299,047</u>
Excess (deficiency) of revenues over expenditures	<u>647,988</u>	<u>(793,621)</u>	<u>(145,633)</u>
Other financing sources (uses):			
Interfund transfers	(1,766,658)	1,750,000	(16,658)
Proceeds from sale of assets	<u>4,306</u>	<u>-</u>	<u>4,306</u>
Total other financing sources (uses)	<u>(1,762,352)</u>	<u>1,750,000</u>	<u>(12,352)</u>

(continued)

PENN MANOR SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Major fund, General	Nonmajor fund, Capital reserve	Total governmental funds
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	\$ (1,114,364)	\$ 956,379	\$ (157,985)
Fund balances:			
July 1, 2024	<u>23,079,084</u>	<u>68,924</u>	<u>23,148,008</u>
June 30, 2025	<u>21,964,720</u>	<u>1,025,303</u>	<u>22,990,023</u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Total net change in fund balances, governmental funds **\$ (157,985)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays for the period.

Depreciation expense	\$ (7,786,021)	
Net book value of assets disposed of	(8,751)	
Capital outlays	<u>683,145</u>	
		(7,111,627)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenue increased by this amount this year. 13,690

The repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (deficit). 5,305,000

In the governmental funds, certain bond related accounts are reported as financing sources and uses. However, in the statement of activities, the cost of these items are allocated over the life of the bond as amortization expense:

Amortization of:		
Bond premium, net of discount	597,707	
Deferred amounts from refunding of debt	<u>114,075</u>	
		711,782

PENN MANOR SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2025

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in the governmental funds, an interest expenditure is reported when due.

\$ 10,807

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

Pensions:

District contributions	12,841,000	
Cost of benefits earned	<u>(10,675,000)</u>	2,166,000

Other postemployment benefits:

District contributions	146,788	
Cost of benefits earned	<u>(229,931)</u>	(83,143)

Other postemployment benefits (HIPAP):

District contributions	243,000	
Cost of benefits earned	<u>(213,000)</u>	30,000

In the statement of activities, certain operating expenses (compensated absences and retirement incentive) are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The amounts below represent the differences between the amounts incurred versus the amounts used.

Compensated absences	(191,006)	
Accrued retirement incentive	<u>4,988</u>	<u>(186,018)</u>

Change in net position (deficit) of governmental activities **\$ 698,506**

PENN MANOR SCHOOL DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2025

Major fund,
Food service

ASSETS

Current assets:

Cash, cash equivalents and equity in pooled cash and investments	\$ 2,625,980
Due from other funds	24,876
Other receivables	2,677
Inventories	67,848

Total current assets

2,721,381

Noncurrent assets:

Machinery and equipment, net of accumulated depreciation	686,513
Vehicles, net of accumulated depreciation	46,575

Total noncurrent assets

733,088

Total assets

\$ 3,454,469

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	322,356
Current portion of compensated absences	11,227
Unearned revenue	2,644

Total current liabilities

336,227

Noncurrent liabilities, compensated absences, net of current portion

88,797

Total liabilities

425,024

Net position:

Net investment in capital assets	733,088
Unrestricted	2,296,357

Total net position

3,029,445

Total liabilities and net position

\$ 3,454,469

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025

	<u>Major fund, Food service</u>
Operating revenues:	
Food service revenue	\$ 890,766
Other operating revenue	<u>58,600</u>
Total operating revenues	<u>949,366</u>
Operating expenses:	
Salaries	986,354
Employee benefits	864,123
Supplies	1,710,770
Donated commodities	223,048
Depreciation	49,346
Other operating expenses	<u>124,547</u>
Total operating expenses	<u>3,958,188</u>
Operating loss	<u>(3,008,822)</u>
Nonoperating revenues:	
Interest and investment earnings	84,955
Reimbursements:	
State	636,878
Federal	1,921,658
Value of donated commodities	<u>223,048</u>
Total nonoperating revenues	<u>2,866,539</u>
Change in net position before operating transfers	(142,283)
Transfers in	<u>16,658</u>
Change in net position	(125,625)
Net position:	
July 1, 2024	<u>3,155,070</u>
June 30, 2025	<u><u>\$ 3,029,445</u></u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025

	<u>Major fund, Food service</u>
Cash flows from operating activities:	
Cash received from users	\$ 915,349
Cash payments to:	
Suppliers for goods and services	(1,526,595)
Employees for services	<u>(1,781,558)</u>
Net cash used in operating activities	<u>(2,392,804)</u>
Cash flows from noncapital financing activities:	
Operating transfers	16,658
Sources:	
State	636,878
Federal	<u>1,921,658</u>
Net cash provided by noncapital financing activities	<u>2,575,194</u>
Cash flows used in capital and related financing activities, purchase of capital assets	<u>(367,268)</u>
Cash flows provided by investing activities, interest and investment earnings	<u>84,955</u>
Net decrease in cash, cash equivalents and equity in pooled cash and investments	(99,923)
Cash, cash equivalents and equity in pooled cash and investments:	
July 1, 2024	<u>2,725,903</u>
June 30, 2025	<u><u>\$ 2,625,980</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (3,008,822)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	49,346
Donated commodities	223,048
Changes in operating assets and liabilities:	
Due from other funds and other receivables	(12,193)
Inventories	3,348
Accounts payable and compensated absences	384,950
Unearned revenue	<u>(32,481)</u>
Total adjustments	<u>616,018</u>
Net cash used in operating activities	<u><u>\$ (2,392,804)</u></u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2025

	<u>Student activities</u>
ASSETS	
Total assets, all current, cash, cash equivalents and equity in pooled cash and investments	<u><u>\$ 179,252</u></u>
LIABILITIES AND NET POSITION	
Total liabilities, all current, accounts payable	\$ 8,675
Net position, restricted for student groups	<u>170,577</u>
Total liabilities and net position	<u><u>\$ 179,252</u></u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2025

	<u>Student activities</u>
Additions	\$ 308,378
Deductions	<u>(292,877)</u>
Change in net position	15,501
Net position:	
July 1, 2024	<u>155,076</u>
June 30, 2025	<u><u>\$ 170,577</u></u>

See notes to financial statements.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies:

Penn Manor School District (the School District or District), located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in Conestoga Township, Manor Township, Martic Township, the Borough of Millersville and Pequea Township. These include regular, advanced academic and vocational education programs and special education programs for gifted and physically and mentally challenged children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of seven elementary schools, two middle schools and one high school, serving approximately 5,400 students.

The financial statements of the Penn Manor School District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's significant accounting policies.

Reporting entity:

The criteria used by the School District to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria.

The School District is financially accountable for:

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

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

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

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

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Basis of presentation:

Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the non-fiduciary activities of the government and present information about the School District as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to outside parties for goods and services.

The statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for both the business-type activities of the School District and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the School District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund financial statements:

Fund financial statements report detailed information about the governmental funds, proprietary funds and fiduciary funds of the School District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The nonmajor fund is presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element total (assets, liabilities and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds) and
- b. The same element that met the 10% criterion in a. is at least 5% of the corresponding element total for all governmental and enterprise funds combined.

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Fund accounting:

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

There are three fund types presented in this report as follows:

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

The following is the School District's major governmental fund type:

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

The following is the School District's nonmajor governmental fund type:

Capital Reserve Fund – This fund is used to account for transfers from other funds and related interest and investment earnings for capital outlays not accounted for in another fund.

Proprietary fund – The proprietary fund is used to account for the operations of the School District that are financed and operated in a manner similar to those found in the private sector. The following major fund is used to account for these financial activities:

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

Fiduciary fund – The fiduciary fund is used to account for assets held by the School District as a trustee or custodian for individuals, organizations and other government units and are, therefore, not available to support the School District's own programs. The fiduciary fund is not included in the government-wide financial statements. The fund included in this category is:

Student Activities Fund – This fund is used to account for assets held by the School District in a custodial capacity for student activities.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Measurement focus and basis of accounting:

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred. Unearned revenues arise when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Deferred revenues also arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, other postemployment benefits and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues, exchange and nonexchange transactions:

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

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

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Cash, cash equivalents and equity in pooled cash and investments:

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and external investment pools held by Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF). External investment pools are reported at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The securities of 2a7-like investment pools are valued at amortized cost, which approximates fair value of the pool. Cash on hand and deposits are reported at carrying amounts which reasonably approximate fair value.

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

Inventories:

There is no inventory recorded in the general fund. Items such as office supplies and cleaning materials are expensed as incurred.

Inventories in the food service fund consist of commodities donated by the federal government, which are valued at fair value, and purchased food and supplies, which are valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government are reported as unearned revenue until used.

Capital assets and depreciation:

The accounting treatment of property, plant, equipment and infrastructure assets depend on whether the assets are used in government fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide financial statements:

The government-wide financial statements account for fixed assets as capital assets. Capital assets include property, plant, equipment and infrastructure assets and are defined by the School District as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated assets are stated at acquisition value on the date donated. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an ordinary market transaction at the acquisition date. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting replacement cost back to the estimated year of acquisition. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Capital assets and depreciation:

Government-wide financial statements:

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Site improvements	20
Furniture, equipment and educational media	5 to 12
Vehicles	12

Proprietary fund capital assets are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over lives ranging from 5 to 12 years.

Fund financial statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Deferred outflows and inflows of resources:

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

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Deferred outflows and inflows of resources:

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

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

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

Long-term obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position (deficit). Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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

Compensated absences:

The School District accrues vacation leave and retirement costs as liabilities as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Professional employees with qualifying years of service receive a lump-sum retirement bonus according to either the collective bargaining agreement or Act 93 agreement.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Compensated absences:

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as more likely than not of utilizing or receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the School District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The School District has accrued the employer's share of Social Security and Medicare taxes.

Pension and other postemployment benefit (HIPAP) plans:

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

Substantially all full-time and part-time employees of the District participate in a cost-sharing multiple-employer defined benefit pension plan through Public School Employees' Retirement System (PSERS or System). On the governmental fund financial statements, the District recognizes annual pension expenditures or expenses equal to its contractually required contributions. For the fiscal year ended June 30, 2025, the rate of employer contribution was 33.90%. The 33.90% rate is composed of a contribution rate of 32.92% for pension benefits, 0.63% for healthcare insurance premium assistance and 0.35% for defined contribution costs. The District is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. Such payments are recorded in the general fund and proprietary funds as state source revenues. In the government-wide financial statements, payments are allocated based on function. The District made all required contributions for the year ended June 30, 2025 and has recognized them as expenditures or expenses.

Other postemployment benefits:

In the government-wide statements, the District recognizes the costs and liabilities associated with postemployment benefits other than pension compensation. The District provides access to retiree healthcare benefits to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Interfund activity:

Exchange transactions between governmental funds are eliminated on the government-wide statements. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

Equity classifications:

Government-wide financial statements:

Equity is classified as net position and is displayed in three components:

Net investments in capital assets – consists of capital assets, including cash and investments restricted for capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of these assets.

Restricted – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints are placed on the use of the assets either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted – the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund financial statements:

The School District follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly the defined fund balance categories to make the nature and extent of the constraints placed on a district's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in a spendable form (such as prepaids and inventory) or are required to be maintained intact legally or contractually (such as the corpus of an endowment fund).

Restricted fund balance – amounts limited by external parties or legislation (i.e., debt covenants and grants).

Committed fund balance – amounts limited by Board policy or Board action (i.e., future anticipated costs).

Assigned fund balance – amounts that are intended for a particular purpose. Generally, balances in special revenue funds or capital project funds will be designated as assigned.

Unassigned fund balance – amounts available for consumption or not restricted in any manner.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Use of fund balance:

The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated.

If the School District experiences an excess of expenditures over revenues for a given fiscal year, the fund balance shall be consumed in the following order:

- Restricted fund balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
- Committed fund balance to the extent that expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the Board, the committed fund balance will not be reduced by more than the amount designated in the plan.
- Assigned fund balance to the extent that expenditures related to the assignment contributed to the excess of expenditures over revenues.
- Unassigned fund balance for any remaining excess of expenditures over revenues.

Fund balance parameters:

The School District will strive to maintain an unassigned general fund fund balance of not less than 6% and not more than 8% of the budgeted expenditures for that fiscal year. The total fund balance, consisting of several portions, including restricted, committed, assigned and unassigned, may exceed 8%. If the unassigned portion of the fund balance falls below the threshold of 6% of budgeted expenditures, the Board may pursue options for increasing revenues and decreasing expenditures, or a combination of both until 6% is attained. If the unassigned portion of the fund balance exceeds 8% of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for expenditures. The goal shall be to use any excess fund balance for nonrecurring expenditures, not for normal operating costs.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferrals and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Significant estimates that are sensitive to changes in assumptions in these financial statements include the net pension, other postemployment benefits and other postemployment benefits (HIPAP) liabilities, deferred outflows of resources related to the pension, other postemployment benefits and other postemployment benefits (HIPAP) and deferred inflows of resources related to the pension, other postemployment benefits and other postemployment benefits (HIPAP). Actual results could differ from those estimates.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

1. Summary of significant accounting policies (continued):

Adoption of new accounting pronouncements:

The following summarizes the GASB Statements implemented by the District during the year ended June 30, 2025, and the relating effects on the financial statements presentation and disclosure, as applicable:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District adopted Statement No. 101 for its June 30, 2025 financial statements. There were no significant changes to the District's financial statements as a result of adopting Statement No. 101.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The District adopted Statement No. 102 for its June 30, 2025 financial statements. There were no significant changes to the District's financial statements as a result of adopting Statement No. 102.

Pending GASB statements:

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement 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. This Statement also addresses certain application issues. The provisions of Statement No. 103 are effective for the District's June 30, 2026 financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The provisions of Statement No. 104 are effective for the District's June 30, 2026 financial statements.

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

2. Deposits and investments:

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

1. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

2. Deposits and investments (continued):

2. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

Custodial credit risk, deposits and investments:

For deposits, custodial credit risk is the risk that, in the event of a counterparty failure, the School District's deposits may not be returned to it. For investments, custodial credit risk is the risk that in the event of a counterparty failure, the School District may not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The School District's policy requires deposits in savings accounts or time deposits or share accounts of institutions to be insured or covered by approved collateral as provided by law.

As of June 30, 2025, \$5,353,609 of the School District's bank balance of \$5,614,961 was not covered by the FDIC but was collateralized in accordance with Act 72. Act 72 required the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

Reconciliation of cash, cash equivalents and equity in pooled cash and investments to the financial statements:

Collateral held by the pledging bank under Act 72 but not in the District's name	\$ 5,353,609
Insured by Federal Deposit Insurance Corporation	261,352
Pennsylvania Local Government Investment Trust (PLGIT):	
Class	2,059,611
Reserve-Class	25,923
Pennsylvania School District Liquid Asset Fund (PSDLAF):	
MAX Series	4,474,326
Full Flex Pool	14,850,325
Collateralized CD Pool	6,614,100
Outstanding checks	(1,356,173)
Deposits in transit	19,150
Petty cash	<u>800</u>

Total cash, cash equivalents and equity in pooled cash and investments per the financial statements	<u><u>\$ 32,303,023</u></u>
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Reconciliation to the financial statements:

Governmental activities	\$ 29,497,791
Business-type activities	2,625,980
Fiduciary funds, custodial	<u>179,252</u>

Total	<u><u>\$ 32,303,023</u></u>
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PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

2. Deposits and investments (continued):

External investment pools:

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

The School District has investments with Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF) (collectively, the Funds). Both PLGIT and PSDLAF were established as common law trusts and organized under laws of the Commonwealth of Pennsylvania. Shares of the Funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the Funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949 as amended. The Funds operate in a manner consistent with the Securities and Exchange Commission's Rule 2(a)7 of the Investment Company Act of 1940.

PLGIT separately issues audited financial statements that are available to the public via their website. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. Alternatively, the Commonwealth of Pennsylvania provides external regulatory oversight of the external investment pools. The pool is audited annually by Ernst & Young, LLP, an independent accounting firm. At June 30, 2025, PLGIT investments carry AAAM ratings and have average maturities of less than one year.

The School District has funds totaling \$2,085,534 invested in PLGIT. PLGIT funds operate similarly to mutual funds and consist of short-term money market instruments and seek to maintain constant net assets value of \$1 per share. The School District is invested in the following PLGIT investment options:

- PLGIT Class Shares – A flexible option which requires no minimum balance, no minimum initial investment and a one-day minimum investment period. Dividends are paid monthly.
- PLGIT Reserve-Class Shares – An option which requires a minimum investment of \$50,000, a one-day minimum investment period and limits redemptions or exchanges to two per calendar month. Dividends are paid monthly.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

2. Deposits and investments (continued):

External investment pools:

PSDLAF separately issues audited financial statements that are available to the public via their website. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PTMA Financial Solutions. PSDLAF is sponsored by the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials, and the respective Executive Directors of those associations serve as Trustees of the Fund. The pool is audited annually by Pricewaterhouse Coopers, LLP, an independent accounting firm.

The School District has funds totaling \$25,938,751 invested in PSDLAF. The School District is invested in the following PSDLAF investment options:

- PSDLAF MAX Series – A variable rate investment portfolio rated AAAM by Standard & Poor's. This option uses a principal investment strategy of investing in short-term money market instruments and seeks to maintain a constant net asset value (NAV) of \$1 per share. The MAX Series has no minimum balance, deposit or withdrawal amount requirements.
- PSDLAF Full Flex Pool – Included as part of the Fixed Term Series at PSDLAF, this option invests in fixed term investments collateralized in accordance with Act 72 and invests in assets as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series; however, participants in the Full Flex Pool may remove funds without early withdrawal penalty.
- PSDLAF Collateralized CD Pool – Included as part of the Fixed Term Series at PSDLAF, this option invests in certificates of deposit (CDs). CDs used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with the law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among PSDLAF, the bank that issues the CD and the third-party custodian.

Interest rate risk:

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

Credit risk:

The School District's investment policy requires that its investment companies be registered under the Investment Company Act of 1940 with shares registered under the Securities Act of 1933. In addition, the investment companies used by the School District must be rated in the highest category by a nationally recognized rating agency.

Concentration of credit risk:

The School District places no limit on the amount invested in any one issuer. The School District's external investment pools are held entirely with PLGIT and PSDLAF.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

3. Real estate taxes:

Based upon assessments provided by Lancaster County, the School District contracts with the Lancaster County Tax Collection Bureau to bill and collect property taxes. The School District tax rate for the year ended June 30, 2025 was 18.4744 mills (\$18.47 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

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

4. Taxes receivable and related accounts, general fund:

The School District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the receivable amount, which was measurable and available within 60 days, was recognized as revenue and the remaining balance reported as unavailable in the fund financial statements. The balances at June 30, 2025 are as follows:

	Gross taxes receivable	Allowance for uncollectible taxes	Net estimated to be collectible	Tax revenue recognized	Unavailable revenue	Unearned revenue
Real estate	\$ 767,465	\$ 571	\$ 766,894	\$ 227,460	\$ 539,434	\$ -
Earned income taxes	1,477,072	-	1,477,072	1,477,072	-	-
Per capita and occupation	284,157	281,316	2,841	-	-	2,841
Transfer tax	100,034	-	100,034	100,034	-	-
	<u>\$ 2,628,728</u>	<u>\$ 281,887</u>	<u>\$ 2,346,841</u>	<u>\$ 1,804,566</u>	<u>\$ 539,434</u>	<u>\$ 2,841</u>

5. Interfund activity:

Interfund receivable and payable balances at June 30, 2025 were as follows:

	Due from other funds	Due to other funds
Governmental fund, General	\$ -	\$ 24,876
Proprietary fund, Food Service	24,876	-
	<u>\$ 24,876</u>	<u>\$ 24,876</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

5. Interfund activity (continued):

These balances resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system and (3) payments between funds were made.

The District transfers resources from the general fund to different funds for debt service, future capital expenditures and to support the general operations of the District. Interfund transfers for the year ended June 30, 2025 were as follows:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
Governmental funds:		
General	\$ 1,766,658	\$ -
Capital Reserve	-	1,750,000
Proprietary fund, Food Service	-	16,658
	<u>\$ 1,766,658</u>	<u>\$ 1,766,658</u>

6. Due from other governments:

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2025, the following amounts are due from other governmental units:

	<u>General Fund</u>
State subsidies:	
Retirement	\$ 2,553,201
Social Security	590,753
Grants and programs:	
Federal	788,073
State	578,241
Local	224,184
	<u>\$ 4,734,452</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

7. Changes in capital assets:

Capital asset activity for governmental activities for the year ended June 30, 2025 are as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated, land	\$ 6,887,173	\$ -	\$ -	\$ 6,887,173
Capital assets being depreciated:				
Site improvements	8,466,207	-	-	8,466,207
Buildings and building improvements	260,227,673	290,548	-	260,518,221
Furniture, equipment and educational media	7,058,975	371,573	(95,610)	7,334,938
Vehicles	943,809	21,024	(145,507)	819,326
Total assets being depreciated	<u>276,696,664</u>	<u>683,145</u>	<u>(241,117)</u>	<u>277,138,692</u>
Accumulated depreciation:				
Site improvements	4,965,128	376,889	-	5,342,017
Buildings and building improvements	86,166,677	6,839,888	-	93,006,565
Furniture, equipment and educational media	3,655,477	531,217	(86,859)	4,099,835
Vehicles	665,741	38,027	(145,507)	558,261
Total accumulated depreciation	<u>95,453,023</u>	<u>7,786,021</u>	<u>(232,366)</u>	<u>103,006,678</u>
Total capital assets being depreciated, net	<u>181,243,641</u>	<u>(7,102,876)</u>	<u>(8,751)</u>	<u>174,132,014</u>
Governmental activities, capital assets, net	<u>\$ 188,130,814</u>	<u>\$ (7,102,876)</u>	<u>\$ (8,751)</u>	<u>\$ 181,019,187</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

7. Changes in capital assets (continued):

Capital asset activity for business-type activities for the year ended June 30, 2025 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Ending balance</u>
Business-type activities:			
Capital assets being depreciated:			
Machinery and equipment	\$ 605,726	\$ 316,841	\$ 922,567
Vehicles	<u> -</u>	<u> 50,427</u>	<u> 50,427</u>
Total capital assets being depreciated	<u> 605,726</u>	<u> 367,268</u>	<u> 972,994</u>
Accumulated depreciation:			
Machinery and equipment	190,560	45,494	236,054
Vehicles	<u> -</u>	<u> 3,852</u>	<u> 3,852</u>
Total accumulated depreciation	<u> 190,560</u>	<u> 49,346</u>	<u> 239,906</u>
Business-type activities, capital assets, net	<u> \$ 415,166</u>	<u> \$ 317,922</u>	<u> \$ 733,088</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction	\$ 2,320,775
Vocational instruction	1,792
Operation and maintenance of plant	123,842
Student activities	226,561
Capital outlay	<u>5,113,051</u>
	<u> \$ 7,786,021</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

8. Fund balances:

As of June 30, 2025, fund balances are comprised of the following:

	<u>General</u>	<u>Capital reserve</u>	<u>Total governmental funds</u>
Nonspendable, prepaid expenses	\$ 5,000	\$ -	\$ 5,000
Restricted	49,141	1,025,303	1,074,444
Committed:			
Future facility repairs	13,355,521	-	13,355,521
Healthcare expenses	750,000	-	750,000
Unassigned	<u>7,805,058</u>	<u>-</u>	<u>7,805,058</u>
Total fund balances	<u><u>\$ 21,964,720</u></u>	<u><u>\$ 1,025,303</u></u>	<u><u>\$ 22,990,023</u></u>

9. Unearned revenue:

Unearned revenue at June 30, 2025 consisted of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Per capita and occupation taxes	\$ 2,841	\$ -	\$ 2,841
Grant and other	46,089	-	46,089
Prepaid lunches	<u>-</u>	<u>2,644</u>	<u>2,644</u>
	<u><u>\$ 48,930</u></u>	<u><u>\$ 2,644</u></u>	<u><u>\$ 51,574</u></u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

10. General long-term debt:

General obligation bonds and notes:

The School District issued general obligation bonds (GOB) and notes (GON) to provide funds to finance various capital projects of the School District and pay the costs of issuing the bonds and notes. Additionally, the Series of 2019 B GOB was issued to currently refund the Series of 2016 GOB and the Series of 2020 GON was issued to advance refund the Series of 2015 GOB. These bonds and notes are direct obligations and pledge the full faith and credit of the School District. Currently, the School District has four general obligation bond series and notes with interest rates and outstanding principal amounts at June 30, 2025 as follows:

Issue	Final maturity date	Interest rate or yield	Amount
Series of 2018 GOB	March 1, 2038	2.00% - 5.00%	\$ 36,095,000
Series of 2019 A GOB	March 1, 2039	1.55% - 5.00%	35,765,000
Series of 2019 B GOB	March 1, 2029	1.50% - 4.00%	9,115,000
Series of 2020 GON	June 1, 2027	1.20%	<u>9,335,000</u>
			90,310,000
Bond premium, net of discount			<u>6,153,554</u>
Total			96,463,554
Less current portion			<u>5,380,000</u>
Total long-term portion of bonds and notes payable			<u><u>\$ 91,083,554</u></u>

The principal balance outstanding for Series of 2017 GOB was paid off during the year ended June 30, 2025.

Long-term obligation activity, other than pension and OPEB:

Long-term obligation activity for governmental activities can be summarized as follows:

	Beginning balance	Increases	Decreases	Ending balance
General obligation bonds and notes	\$ 95,615,000	\$ -	\$ 5,305,000	\$ 90,310,000
Bond premium, net of discount	6,751,261	-	597,707	6,153,554
Accrued retirement incentive	1,420,748	-	4,988	1,415,760
Compensated absences*	<u>2,063,704</u>	<u>191,006</u>	<u>-</u>	<u>2,254,710</u>
	<u><u>\$ 105,850,713</u></u>	<u><u>\$ 191,006</u></u>	<u><u>\$ 5,907,695</u></u>	<u><u>\$ 100,134,024</u></u>

*The increases and decreases columns represent the net of all increases and decreases in compensated absences during the year.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

10. General long-term debt (continued):

Debt service requirements:

The annual requirements of the School District's debt service are listed below.

Year ending June 30,	Principal	Interest	Total
2026	\$ 5,380,000	\$ 3,752,058	\$ 9,132,058
2027	5,160,000	3,687,315	8,847,315
2028	5,240,000	3,604,013	8,844,013
2029	5,430,000	3,411,550	8,841,550
2030	5,885,000	3,194,000	9,079,000
2031-2035	34,045,000	11,347,450	45,392,450
2036-2039	29,170,000	3,000,750	32,170,750
	<u>\$ 90,310,000</u>	<u>\$ 31,997,136</u>	<u>\$ 122,307,136</u>

11. Risk management:

Property and liability:

For losses incurred prior to July 1, 1999 and subsequent to June 30, 2002, the School District joined together with other school districts in the area to form the Lancaster-Lebanon Public Schools Insurance Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for member school districts, the Lancaster-Lebanon Intermediate Unit, the Lancaster County Academy and the Lancaster County Career and Technology Center. This agreement states that the School District pays an annual premium to the Pool for the purpose of seeking the prevention or lessening of casualty losses to members from injuries to persons or properties which might result in claims being made against members and to pool the insurance risks, reserves, claims and losses and providing self-insurance and reinsurance. It is the intent of the members of the Pool that the Pool will utilize funds contributed by the members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each member of the Pool in accordance with the agreement against certain liabilities and losses and to purchase excess and aggregate stop-loss insurance for claims greater than \$100,000 per occurrence.

Hospitalization:

The School District has a self-insured hospitalization plan with Aetna, Inc., the claims administrator, who processes and pays the claims. For the year ended June 30, 2025, the School District was limited in liability for claims to \$225,000 per individual and \$10,479,764 in total for the Point of Service Plan. A liability for claims incurred prior to June 30, 2025 and paid subsequently is recorded in the amount of \$531,764 in accounts payable in the general fund.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

11. Risk management (continued):

Vision fund:

The School District administers a vision fund which is recorded in the general fund. The plan reimburses for professional eye examinations and the cost of prescription glasses and contacts. Eligible expenses in accordance with the plan are those incurred by either an employee or his/her dependents.

The plan requires submission of receipted invoices for eligible services and operates on a fiscal year from July 1 to June 30. Payment by the School District is made monthly and items submitted by the end of each month will be reimbursed by the 15th of the following month. In order to be eligible for payment, bills incurred must be less than six months old. Payment for the fiscal year ended June 30, 2025 is limited to \$300 per eligible employee.

Workers' compensation:

The School District is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund which is a cooperative voluntary trust arrangement for 21-member school districts and the Lancaster-Lebanon Intermediate Unit. This agreement states that the School District pays an annual premium to the fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the members of the fund that the fund will utilize funds contributed by the members, which shall be held in trust by the fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2025, the School District is not aware of any additional assessments relating to the fund.

Unemployment compensation:

The School District has elected to self-insure for unemployment compensation rather than contribute to the state fund. Transactions relating to this plan are reflected in the general fund. As of June 30, 2025, the School District is not aware of any unemployment compensation claims.

Other risks:

The School District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2025 and the three previous fiscal years, no settlements exceeded insurance coverage.

12. Defined benefit pension plan:

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

12. Defined benefit pension plan (continued):

Plan description:

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

Benefits provided:

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

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three 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 memberships 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 between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Retirement Code (the Code)) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

PENN MANOR SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**

12. Defined benefit pension plan (continued):

Member contributions:

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

Member contribution rates				
Membership class	Continuous employment since	Defined benefit (DB) contribution rate	DC contribution rate	Total contribution rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
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	8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared risk program summary				
Membership class	Defined benefit (DB) base rate	Shared risk increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 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 \$12,841,000 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a net liability of \$108,781,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2023 to June 30, 2024. There were no events during the period June 30, 2024 to June 30, 2025 that affect the measurement of the net pension liability results. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2024, the District's proportion was .2599%, which was an increase of .0040% from its proportion measured as of June 30, 2023.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

12. Defined benefit pension plan (continued):

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

For the year ended June 30, 2025, the District recognized pension expense of \$10,675,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,801,000	\$ -
Differences between expected and actual experience	-	1,710,000
Net changes in proportion	-	245,000
Differences between District actual contributions and the calculated portion determined by PSERS	237,000	-
Change in amortization resulting from change in percentage	-	489,805
District contributions subsequent to the measurement date	<u>12,841,000</u>	<u>-</u>
	<u>\$ 14,879,000</u>	<u>\$ 2,444,805</u>

For the year ended June 30, 2025, \$12,841,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the valuation year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan year ending June 30,</u>	
2025	\$(3,909,000)
2026	2,923,195
2027	921,000
2028	<u>(342,000)</u>
	<u>\$ (406,805)</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

12. Defined benefit pension plan (continued):

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

Actuarial assumptions:

The total pension liability as of June 30, 2024 was determined by rolling forward PSERS's total pension liability as of the 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 percentage of pay
Investment return:	7.00% includes inflation of 2.50%
Salary increases:	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:	Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

12. Defined benefit pension plan (continued):

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

The PSERS's Board adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024 are:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global public equity	30.0 %	4.8 %
Private equity	12.0	6.7
Fixed income	33.5	3.9
Commodities	5.0	2.5
Infrastructure	10.0	6.4
Real estate	<u>9.5</u>	5.9
	<u>100.0 %</u>	

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

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

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

	<u>1% Decrease 6.00%</u>	<u>Current discount rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$ 143,298,000</u>	<u>\$ 108,781,000</u>	<u>\$ 79,634,000</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

12. Defined benefit pension plan (continued):

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

Pension plan fiduciary net position:

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

13. Other postemployment benefits:

Postemployment benefits other than pension (OPEB):

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

Plan description:

The District offers postemployment medical and prescription drug benefits to employees upon their retirement with the same plan provisions provided to active employees. The following is a breakdown of eligibility requirements by group:

Administrators:

The member must meet one of the following conditions to be eligible:

- a. Complete at least ten consecutive years of District service, must be eligible for PSERS retirement and must give written notice by April 1 in the year of retirement.
- b. Attain 55 years of age with at least 25 years of PSERS service.
- c. Act 110/43 (30 years of PSERS service or upon superannuation retirement).

Teachers:

The member must meet one of the following conditions to be eligible:

- a. Attain 50 years of age, complete at least 15 consecutive years of District service, must be eligible for PSERS retirement and must give written notice by April 1 in the year of retirement.
- b. Attain 55 years of age with at least 25 years of PSERS service.
- c. Act 110/43 (30 years of PSERS service or upon superannuation retirement).

Support staff:

The member must meet one of the following conditions to be eligible:

- a. Attain 55 years of age with at least 25 years of PSERS service.
- b. Act 110/43 (30 years of PSERS service or upon superannuation retirement).

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

Plan description:

All groups have the same coverage, premium sharing and duration of coverage. If the member meets at least one of the eligibility requirements for the member's group, the member, spouse and dependents may continue coverage by paying the floating rate at the full premium. Insurance coverage is provided until the member is eligible for a government funded healthcare insurance plan.

Employees covered by benefit terms:

As of the July 1, 2024 actuarial valuation, the following employees were covered by benefit terms:

	<u>Administrators</u>	<u>Teachers and support staff</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	2	24	26
Active employees	<u>32</u>	<u>490</u>	<u>522</u>
Total	<u><u>34</u></u>	<u><u>514</u></u>	<u><u>548</u></u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

Total OPEB liability and actuarial assumptions:

The District's total OPEB liability of \$3,722,139 was measured as of June 30, 2024 and was determined using the July 1, 2024 actuarial valuation. The following actuarial assumptions and other inputs were applied to all periods included in the measurement:

Discount rate:	4.29% based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2024
Salary increases:	2.50% cost of living adjustment, 1.50% real wage growth and merit increases which vary by age from 2.75% to 0%
Healthcare cost trend rates:	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Retirees contributions:	Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.
Mortality rates:	PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

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

Changes in the total OPEB liability:

Balance at July 1, 2023	<u>\$ 4,090,953</u>
Changes for the year:	
Service cost	225,958
Interest	174,970
Differences between expected and actual experience	(621,222)
Changes in assumptions	(170)
Benefit payments	<u>(148,350)</u>
Net changes	<u>(368,814)</u>
Balance at June 30, 2024	<u><u>\$ 3,722,139</u></u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

Changes in the total OPEB liability:

Changes in assumptions reflect a change in the discount rate from 4.13% in 2023 to 4.29% in 2024. The trend assumption was updated.

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

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

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
	3.29%	4.29%	5.29%
District's net OPEB liability	<u>\$ 4,010,338</u>	<u>\$ 3,722,139</u>	<u>\$ 3,449,558</u>

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

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

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
District's net OPEB liability	<u>\$ 3,325,616</u>	<u>\$ 3,722,139</u>	<u>\$ 4,186,331</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$229,931. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in assumption	\$ 440,165	\$ 1,128,238
Differences between expected and actual experience	169,803	1,357,591
District benefit payments subsequent to the measurement date	<u>146,788</u>	<u>-</u>
	<u><u>\$ 756,756</u></u>	<u><u>\$ 2,485,829</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$146,788 resulting from District benefit payments made subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the valuation year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Plan year ending June 30,</u>	
2025	\$ (170,997)
2026	(170,997)
2027	(170,997)
2028	(171,003)
2029	(179,463)
thereafter	<u>(1,012,404)</u>
	<u><u>\$ (1,875,861)</u></u>

Health Insurance Premium Assistance Program (HIPAP):

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

Health Insurance Premium Assistance Program (HIPAP):

PSERS provides Premium Assistance, which is a governmental cost-sharing, multiple-employer HIPAP plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance eligibility criteria:

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

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

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

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

Benefits provided:

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

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 \$243,000 for the year ended June 30, 2025.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

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

At June 30, 2025, the District reported a liability of \$4,599,000 for its proportionate share of the net HIPAP liability. The net HIPAP liability was measured as of June 30, 2024, and the total HIPAP liability used to calculate the net HIPAP liability was determined by rolling forward PSERS's total HIPAP liability as of June 30, 2023 to June 30, 2024. There were no events during the period June 30, 2024 to June 30, 2025 that affect the measurement of the net HIPAP liability results. The District's proportion of the net HIPAP liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was 0.2589%, which was an increase of 0.0030% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized HIPAP expense of \$213,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to HIPAP from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net change in assumptions	\$ -	\$ 422,000
Net difference between projected and actual investment earnings	5,000	-
Difference between expected and actual experience		52,000
Net changes in proportion	64,000	-
Change in amortization resulting from change in percentage	-	9,000
Contributions subsequent to the measurement date	<u>243,000</u>	<u>-</u>
	<u>\$ 312,000</u>	<u>\$ 483,000</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

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

Deferred outflows of resources related to HIPAP of \$268,000 were reported as resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net HIPAP liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIPAP will be recognized in HIPAP expense as follows:

<u>Plan year ending June 30,</u>	
2025	\$ (103,000)
2026	(128,000)
2027	(160,000)
2028	(19,000)
2029	<u>(4,000)</u>
	<u>\$ (414,000)</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

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

Actuarial assumptions:

The total HIPAP liability as of June 30, 2024, was determined by rolling forward the PSERS total HIPAP 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 percentage of pay.
Investment return:	4.21%, S&P 20-year municipal bond rate
Salary growth:	Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Premium Assistance cap:	Premium Assistance reimbursement is capped at \$1,200 per year.
Healthcare cost trends:	Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
Mortality rates:	Based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP- 2020 Improvement Scale.
Participation rate:	Eligible retirees will elect to participate pre-age 65 at 50%. Eligible retirees will elect to participate post-age 65 at 70%.

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

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

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

Actuarial assumptions:

The following assumptions were used to determine the contribution rate:

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

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

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

The PSERS Board adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024 are as follows:

<u>HIPAP - Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	<u>100.0 %</u>	1.7 %

PENN MANOR SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**

13. Other postemployment benefits (continued):

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

Discount rate:

The discount rate used to measure the total HIPAP liability was 4.21%. Under the HIPAP’s funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the HIPAP’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 4.21%, which represents the S&P 20-year municipal bond rate at June 30, 2024, was applied to all projected benefit payments to measure the total HIPAP liability.

Sensitivity of the District’s proportionate share of the net HIPAP liability to changes in the 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, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the District’s proportionate share of the net HIPAP liability for June 30, 2024, calculated using current healthcare cost trends, as well as what the net HIPAP liability would be if healthcare cost trends were 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
District's proportionate share of net HIPAP liability	<u>\$ 4,599,000</u>	<u>\$ 4,599,000</u>	<u>\$ 4,600,000</u>

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

13. Other postemployment benefits (continued):

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

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

The following presents the District’s proportionate share of the net HIPAP liability, calculated using the discount rate of 4.21%, as well as what the net HIPAP liability would be if it were calculated using a discount rate that is 1% lower (3.21%) or 1% higher (5.21%) than the current rate:

	1% Decrease <u>3.21%</u>	Current discount rate <u>4.21%</u>	1% Increase <u>5.21%</u>
District’s proportionate share of the net HIPAP liability	<u>\$ 5,196,000</u>	<u>\$ 4,599,000</u>	<u>\$ 4,100,000</u>

HIPAP fiduciary net position:

Detailed information about PSERS’ fiduciary net position is available in PSERS Annual Comprehensive Financial Report, which can be found on the PSERS’ website at www.pa.gov/PSERS.

14. Joint ventures:

Lancaster County Career and Technology Center (LCCTC):

The School District is one of 16-member school districts of the Lancaster County Career and Technology Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the Career and Technology Board for Lancaster County, which is composed of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the School District's reporting entity. The School District’s share of annual operating costs for LCCTC fluctuates based upon the percentage of enrollment of each member school district. The amount paid for these services in the year ended June 30, 2025 was \$2,084,902, which has been reported in the general fund. Complete financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

The District entered into a lease agreement with the Lancaster County Career and Technology Center Authority (Authority) along with 15 other school districts. The Lancaster County Career and Technology Center Authority is an authority created under the Pennsylvania Municipality Authorities Act and is empowered to acquire, hold, construct, improve, maintain, operate and lease public school buildings and other school projects for public school purposes. By resolution, the member districts have requested the Authority to proceed with improvement of the school facilities of the Lancaster County Career Technology Center (LCCTC) to be funded by lease revenue bonds not to exceed the maximum aggregate principal amount of \$43,000,000. The bonds will be designated as Lancaster County Career and Technology Center Authority Guaranteed Lease Revenue Bonds. Each district will pay its proportionate share of the lease rentals in order to fund the debt.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

14. Joint ventures (continued):

Lancaster County Career and Technology Center (LCCTC):

On November 11, 2017, the Authority completed issuance of Guaranteed Lease Revenue Notes, Series of 2017-11, for the purpose of advance refunding the Guaranteed Lease Revenue Bonds, Series of 2012, and to pay the costs of issuing the notes in the amount of \$7,930,000. Payments are required until February 2037. The notes bear interest with rates ranging from 2.20% to 5.00%. The balance of the District's share of this obligation at June 30, 2025 was \$450,045.

On June 30, 2020, the Authority completed issuance of Guaranteed Lease Revenue Bonds, Series of 2020, for the purpose of advance refunding the Guaranteed Lease Revenue Bonds, Series of 2014, advance refunding the Guaranteed Lease Revenue Notes, Series of 2017 and to pay the costs of issuing the bonds in the amount of \$11,145,000. Payments are required until February 2037. The bonds bear interest with rates ranging from 1.00% to 4.00%. The balance of the District's share of this obligation at June 30, 2025 was \$716,851.

Minimum future rental payments under the operating leases for the School District are as follows:

<u>Fiscal year ending June 30,</u>	<u>Total</u>
2026	\$ 99,102
2027	98,428
2028	97,839
2029	97,857
2030	97,038
2031-2035	483,714
2036-2037	<u>192,918</u>
Total minimum future rental payments	<u>\$ 1,166,896</u>

Lancaster-Lebanon Joint Authority:

The School District is a member in the Lancaster-Lebanon Joint Authority (Joint Authority). The Lancaster-Lebanon Joint Authority was incorporated on February 14, 1980 under the Municipality Authorities Act of 1945, Act of May 2, 1945, P.L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Joint Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit No. 13.

The School District did not have any financial transactions with the Joint Authority during the year ended June 30, 2025. Complete financial statements for the Joint Authority can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

14. Joint ventures (continued):

Lancaster-Lebanon Intermediate Unit No. 13 (LLIU):

The LLIU Board of Directors consists of 22 members from the LLIU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' Boards of Directors. Penn Manor School District is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Penn Manor School District contracts with the LLIU for special education services for School District students. The amount paid for these services and various other support services during the year ended June 30, 2025 was \$8,579,992. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

Lancaster County Academy (Academy):

The Academy is an alternative public school organized by 11 public school districts in Lancaster County to provide services in the County. Each of the public school districts appoints one member to serve on the joint operating committee. As a member district, the School District has an ongoing financial responsibility to fund the operations of the Academy. The amount paid to the Academy in the year ended June 30, 2025 was \$73,430. Complete financial information for the Academy can be obtained from the Administrative Office at 1202 Park City Center, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau (Bureau):

The School District participates with all Lancaster County school districts and associated municipalities as prescribed by Act 32 for the collection of earned income taxes and local services tax. The joint operating committee is comprised of representatives from the 17-member school districts and 16 municipal representatives. The Bureau's operating expenditures are deducted from the distributions, which are made quarterly. The School District's portion of the operating expenditures for the year ended June 30, 2025 was \$84,730. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

No member school district exercises specific control over the fiscal policies or operations of these joint ventures. As a result, these entities are not reported as part of the School District's reporting entity.

15. Collective bargaining agreement:

The District employs classroom teachers, school nurses, school counselors, librarians and long-term substitute teachers who are covered by a collective bargaining agreement with the Penn Manor Education Association (PMEA). The current agreement covers the period from July 1, 2022 - June 30, 2026. The agreement establishes provisions related to salaries, health and welfare benefits, working conditions and other employment terms. In May 2025, the District and PMEA negotiated a successor agreement that covers the period from July 1, 2026 - June 30, 2029. The District's collective bargaining agreement may impact future financial obligations, including salary increases, benefit costs and other employment-related expenditures. Management believes that the District is in compliance with all significant provisions of its collective bargaining agreement as of June 30, 2025.

PENN MANOR SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

16. Termination benefits:

According to the School District's negotiated agreement with the Penn Manor Education Association, teachers are eligible for an early retirement incentive if the date of retirement is at the conclusion of the school year, written notice of retirement is provided before April 1 preceding the date of retirement, the employee accepts benefits under the Pennsylvania Employees' Retirement System and the employee has at least 15 consecutive years of service at the School District. The retirement incentive is calculated by multiplying \$180 per year for each year of employment and \$80 per day for each unused sick and/or personal day with the School District and the total incentive is limited to a maximum of \$35,000. Payments are paid as employer non-elective contributions to employee 403(b) accounts at the time of retirement.

Retiring administrators with at least ten years of service may either elect to receive \$250 for each full year of service to the School District or \$1,500 for each full year of administrative service to the School District and \$200 per day for each unused sick and/or personal day. At no time can the monetary compensation to a retiring administrator exceed \$20,000.

The School District records retirement incentive expenses and liabilities at the government-wide level and in the proprietary funds. A prorata formula based on years of service is used to calculate the liabilities for employees who have less than the required minimum years of service. The retirement incentive liability related to years of service was included in the statement of net position (deficit) and totaled \$1,415,760 as of June 30, 2025. The portion of the retirement incentive liability related to accrued sick and personal days is reported as compensated absences in the statement of net position (deficit).

17. Commitments:

The School District has transportation contract commitments with two different vendors. The contracts run until 2030 with amounts approved annually. For the year ended June 30, 2025, \$3,238,917 and \$1,262,907 were approved to the two different transportation vendors.

18. Contingent liabilities:

The School District participates in federally assisted grant programs. These grant programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

19. Subsequent events:

The School District has evaluated subsequent events through December 12, 2025, which is the date the financial statements were available to be issued.

PENN MANOR SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
(Required Supplementary Information)
(unaudited)
(See independent auditor's report)

For the valuation year ended June 30	The District's proportion of the net pension liability	The District's proportionate share of the net pension liability	The District's covered employee payroll	The District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2024	0.2599 %	\$ 108,781,000	\$ 41,094,941	264.71 %	64.63 %
2023	0.2559	113,841,000	39,202,021	290.40	61.85
2022	0.2576	114,526,000	37,860,012	302.50	61.34
2021	0.2677	109,909,000	37,931,570	289.76	63.67
2020	0.2560	126,052,000	35,927,882	350.85	54.32
2019	0.2518	117,799,000	34,723,184	339.25	55.66
2018	0.2473	118,716,000	33,306,892	356.43	54.00
2017	0.2402	118,631,000	31,985,031	370.90	51.84
2016	0.2382	118,044,000	30,852,237	382.61	50.14
2015	0.2315	100,275,000	29,791,037	336.59	54.36

PENN MANOR SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
 (Required Supplementary Information)
 (unaudited)
 (See independent auditor's report)

For the valuation year ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	The District's covered employee payroll	Contributions as a percentage of covered employee payroll
2024	\$ 13,644,782	\$ 13,760,000	\$ (115,218)	\$ 41,094,941	33.48 %
2023	13,402,000	13,512,000	(110,000)	39,202,021	34.47
2022	12,840,000	12,905,000	(65,000)	37,860,012	34.09
2021	12,722,000	12,769,000	(47,000)	37,931,570	33.66
2020	11,962,000	11,311,000	651,000	35,927,882	31.48
2019	11,276,000	11,284,000	(8,000)	34,723,184	32.50
2018	10,494,000	10,478,000	16,000	33,306,892	31.46
2017	9,187,000	9,492,000	(305,000)	31,985,031	29.68
2016	7,578,000	7,781,000	(203,000)	30,852,237	25.22
2015	5,978,000	6,128,000	(150,000)	29,791,037	20.57

PENN MANOR SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS
(Required Supplementary Information)
(unaudited)
(See independent auditor's report)

Total other postemployment benefit (OPEB) liability:

For the valuation year ended June 30	Service cost	Interest	Differences between expected and actual experience	Changes in assumptions	Benefit payments	Net change in total OPEB liability	Total OPEB liability, beginning	Total OPEB liability, ending	Covered employee payroll	Total OPEB liability as a percentage of covered employee payroll
2024	\$ 225,958	\$ 174,970	\$ (621,222)	\$ (170)	\$ (148,350)	\$ (368,814)	\$ 4,090,953	\$ 3,722,139	\$ 36,785,109	10.12 %
2023	212,062	159,449	-	59,382	(120,456)	310,437	3,780,516	4,090,953	32,564,768	12.56
2022	460,594	133,613	(885,678)	(1,235,362)	(201,323)	(1,728,156)	5,508,672	3,780,516	32,564,798	11.61
2021	462,146	105,249	-	(166,888)	(192,579)	207,928	5,300,744	5,508,672	33,056,821	16.66
2020	331,531	145,942	275,933	575,942	(88,565)	1,240,783	4,059,961	5,300,744	33,056,821	16.04
2019	331,821	121,830	-	(115,637)	(75,286)	262,728	3,797,233	4,059,961	30,646,580	13.25
2018	277,166	123,591	(222,865)	3,538	(121,375)	60,055	3,737,178	3,797,233	30,646,580	12.39
2017	264,540	89,547	-	101,586	(109,549)	346,124	3,391,054	3,737,178	29,747,884	12.56

Note to schedule:

Changes in assumptions:

The discount rate changed from 4.13% to 4.29%. The trend assumption was updated.

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

PENN MANOR SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB (HIPAP) LIABILITY
(Required Supplementary Information)
(unaudited)
(See independent auditor's report)

For the valuation year ended June 30	The District's proportion of the net OPEB (HIPAP) liability	The District's proportionate share of the net OPEB (HIPAP) liability	The District's covered employee payroll	The District's proportionate share of the net OPEB (HIPAP) liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB (HIPAP) liability
2024	0.2589 %	\$ 4,599,000	\$ 41,094,941	11.19 %	7.13 %
2023	0.2559	4,630,000	39,202,021	11.81	7.22
2022	0.2575	4,740,000	37,860,012	12.52	6.86
2021	0.2676	6,342,000	37,931,570	16.72	5.30
2020	0.2560	5,531,000	35,927,882	15.39	5.69
2019	0.2518	5,355,000	34,723,184	15.42	5.56
2018	0.2473	5,156,000	33,306,892	15.48	5.56
2017	0.2402	4,894,000	31,985,031	15.30	5.73

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

PENN MANOR SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S OPEB (HIPAP) CONTRIBUTIONS
 (Required Supplementary Information)
 (unaudited)
 (See independent auditor's report)

For the valuation year ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	The District's covered employee payroll	Contributions as a percentage of covered employee payroll
2024	\$ 264,000	\$ 268,000	\$ (4,000)	\$ 41,094,941	0.65 %
2023	293,000	296,000	(3,000)	39,202,021	0.76
2022	301,000	304,000	(3,000)	37,860,012	0.80
2021	311,000	312,000	(1,000)	37,931,570	0.82
2020	301,000	284,000	17,000	35,927,882	0.79
2019	289,000	288,000	1,000	34,723,184	0.83
2018	276,000	276,000	-	33,306,892	0.83
2017	266,000	276,000	(10,000)	31,985,031	0.86

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

PENN MANOR SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL – GENERAL FUND
 (Required Supplementary Information)
 (unaudited)
 YEAR ENDED JUNE 30, 2025
 (See independent auditor's report)

	Budget amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Local sources:				
Real estate taxes	\$ 58,953,732	\$ 58,953,732	\$ 59,001,986	\$ 48,254
Other taxes	9,049,000	9,049,000	9,545,241	496,241
Interest and investment earnings	1,652,500	1,652,500	2,141,544	489,044
Other revenue	2,122,355	2,122,355	2,754,061	631,706
Total local sources	71,777,587	71,777,587	73,442,832	1,665,245
State sources	32,604,132	32,604,132	36,425,478	3,821,346
Federal sources	1,443,194	1,443,194	1,275,029	(168,165)
Total revenues	105,824,913	105,824,913	111,143,339	5,318,426
Expenditures:				
Instructional services:				
Regular programs	43,656,334	43,656,334	45,670,287	(2,013,953)
Special programs	18,248,238	18,248,238	20,740,019	(2,491,781)
Vocational programs	2,757,473	2,757,473	2,905,438	(147,965)
Other instructional programs	158,282	158,282	253,971	(95,689)
Support services:				
Pupil personnel	3,366,027	3,366,027	3,860,120	(494,093)
Instructional staff	936,943	936,943	1,040,675	(103,732)
Administrative	7,340,371	7,340,371	6,326,507	1,013,864
Pupil health	1,141,264	1,141,264	1,149,682	(8,418)
Business	1,153,438	1,153,438	1,237,105	(83,667)
Operation and maintenance of plant	7,334,185	7,334,185	8,131,896	(797,711)
Student transportation	5,528,130	5,528,130	5,435,594	92,536
Central and other support	2,203,533	2,203,533	2,492,863	(289,330)
Other support services	45,237	45,237	42,913	2,324

(continued)

PENN MANOR SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
 (Required Supplementary Information)
 (unaudited)
 YEAR ENDED JUNE 30, 2025
 (See independent auditor's report)

	Budget amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Expenditures (continued):				
Operation of noninstructional services:				
Student activities	\$ 1,956,611	\$ 1,956,611	\$ 2,036,747	\$ (80,136)
Community services	25,070	25,070	27,496	(2,426)
Scholarships and awards	2,500	2,500	3,606	(1,106)
Debt service (principal and interest)	9,133,743	9,133,743	9,133,511	232
Refund of prior years' receipts	-	-	6,921	(6,921)
Total expenditures	104,987,379	104,987,379	110,495,351	(5,507,972)
Excess of revenues over expenditures	837,534	837,534	647,988	(189,546)
Other financing sources (uses):				
Proceeds from sale of assets	-	-	4,306	4,306
Interfund transfers	(765,000)	(765,000)	(1,766,658)	(1,001,658)
Budgetary reserve	(852,612)	(852,612)	-	852,612
Total other financing sources (uses)	(1,617,612)	(1,617,612)	(1,762,352)	(144,740)
Net changes in fund balances	\$ (780,078)	\$ (780,078)	(1,114,364)	\$ (334,286)
Fund balance:				
July 1, 2024			23,079,084	
June 30, 2025			\$ 21,964,720	

PENN MANOR SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(Required Supplementary Information)
(unaudited)
YEAR ENDED JUNE 30, 2025
(See independent auditor's report)

Budgetary data:

Penn Manor School District follows the following procedures in establishing the budgetary data:

- a. Prior to May 31, management submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- d. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board.
- e. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
- f. Unused appropriations lapse at the end of each fiscal year; however, the School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances at June 30, 2025.
- g. The budget for the general fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles for fund accounting except that a budgetary reserve is provided.
- h. For budgetary purposes, the School District includes debt service payments (principal and interest) in the general fund. In accordance with generally accepted accounting principles, these amounts are shown as transfers to the debt service fund on the fund level financial statements.

The School District's expenditures were over original budget due to regular programs, special programs, operation and maintenance of plant and other costs that were Board approved general fund expenditures due to revenues trending significantly above budget throughout the year.

PENN MANOR SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 1, 2024	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2025	Amounts paid to subrecipients
U.S. Department of Education:											
Passed through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies:	I/F	84.010	013-240324	7/30/23 - 9/30/24	\$ 949,635	\$ 206,720	\$ 152,204	\$ 54,516	\$ 54,516	\$ -	\$ -
	I/F	84.010	013-250324	7/30/24 - 9/30/25	939,328	814,084	-	931,990	931,990	117,906	-
Title II Improving Teacher Quality State Grants:	I/F	84.367	020-240324	7/30/23 - 9/30/24	156,262	56,614	24,266	32,348	32,348	-	-
	I/F	84.367	020-250324	7/30/24 - 9/30/25	177,172	141,737	-	171,446	171,446	29,709	-
Title IV Student Support & Academic Enrichment:	I/F	84.424	144-240324	7/30/23 - 9/30/24	70,803	10,115	10,115	-	-	-	-
	I/F	84.424	144-250324	7/30/24 - 9/30/25	71,566	71,566	-	71,566	71,566	-	-
COVID-19 - CARES Act - ESSER III	I/F	84.425U	223-210324	3/13/20 - 9/30/24	5,467,963	298,253	298,253	-	-	-	-
COVID-19 - CARES Act - ARP-ESSER 7%	I/F	84.425U	225-210324	3/13/20 - 9/30/24	424,984	146,813	146,813	-	-	-	-
COVID-19 - CARES Act - ARP-ESSER Homeless	I/F	84.425U	181-212324	7/1/21 - 9/30/24	52,952	43,449	43,449	-	-	-	-
COVID-19 - CARES Act - ARP-ESSER 2.5%	I/F	84.425U	224-210324	3/13/20 - 9/30/24	7,972	-	(580)	580	580	-	-
Total passed through the Pennsylvania Department of Education						<u>1,789,351</u>	<u>674,520</u>	<u>1,262,446</u>	<u>1,262,446</u>	<u>147,615</u>	<u>-</u>
Passed through the Lancaster-Lebanon Intermediate Unit #13, Special Education Cluster:											
Special Education - Grants to States (IDEA, Part B):	I/F	84.027	062-24-0013	7/1/23 - 9/30/24	1,175,064	721,340	721,340	-	-	-	-
	I/F	84.027	062-25-0013	7/1/24 - 9/30/25	1,131,200	497,926	-	1,131,200	1,131,200	633,274	-
Special Education - Preschool Grants (Early Intervention IDEA):	I/F	84.173	131-23-0013	7/1/23 - 6/30/24	5,103	5,103	5,103	-	-	-	-
	I/F	84.173	131-24-0013	7/1/24 - 6/30/25	5,760	-	-	5,760	5,760	5,760	-
Total Special Education Cluster passed through the Lancaster-Lebanon Intermediate Unit #13						<u>1,224,369</u>	<u>726,443</u>	<u>1,136,960</u>	<u>1,136,960</u>	<u>639,034</u>	<u>-</u>
Total U.S. Department of Education						<u>3,013,720</u>	<u>1,400,963</u>	<u>2,399,406</u>	<u>2,399,406</u>	<u>786,649</u>	<u>-</u>

PENN MANOR SCHOOL DISTRICT

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

Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 1, 2024	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2025	Amounts paid to subrecipients
<u>U.S. Department of Health and Human Services:</u>											
Passed through the Pennsylvania Department of Human Services, Medicaid Cluster:											
ACCESS Medical Assistance 2023-2024	I/F	93.778	N/A	7/1/23 - 6/30/24	N/A	\$ 721	\$ 721	\$ -	\$ -	\$ -	\$ -
ACCESS Medical Assistance 2024-2025	I/F	93.778	N/A	7/1/24 - 6/30/25	N/A	11,279	-	12,703	12,703	1,424	-
Total Medicaid Cluster passed through the Pennsylvania Department of Human Services						12,000	721	12,703	12,703	1,424	-
Total U.S. Department of Health and Human Services						12,000	721	12,703	12,703	1,424	-
<u>U.S. Department of Agriculture:</u>											
Passed through the Pennsylvania Department of Education, Child Nutrition Cluster:											
School Breakfast Program	I/F	10.553	N/A	7/1/24 - 6/30/25	N/A	505,560	-	505,560	505,560	-	-
National School Lunch Program	I/F	10.555	N/A	7/1/24 - 6/30/25	N/A	1,416,095	-	1,416,095	1,416,095	-	-
Total passed through the Pennsylvania Department of Education						1,921,655	-	1,921,655	1,921,655	-	-
Passed through the Pennsylvania Department of Agriculture, National School Lunch Program						213,974 (b)	(9,074) (a)	223,048 (c)	223,048	- (d)	-
Total Child Nutrition Cluster and U.S. Department of Agriculture						2,135,629	(9,074)	2,144,703	2,144,703	-	-
Total expenditures of federal awards						\$ 5,161,349	\$ 1,392,610	\$ 4,556,812	\$ 4,556,812	\$ 788,073	\$ -

PENN MANOR SCHOOL DISTRICT

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

Source codes:

I = Indirect funding

F = Federal share

84.027	Special Education - Grants to States (IDEA, Part B)	\$ 1,131,200	
84.173	Special Education - Preschool Grants (Early Intervention IDEA)	<u>5,760</u>	
		<u>\$ 1,136,960</u>	
	Total federal expenditures	<u>\$ 4,556,812</u>	= 24.95% Programs meet the 20% requirement for low-risk auditee

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Significant accounting policies:

The schedule of expenditures of federal awards presents the activity of all federal award programs for the District for the year ended June 30, 2025. Because the schedule presents only a selected portion of the operations of the District, it is not intended to, and does not present the financial position or changes in net position of the District.

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

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

Note 2 - Food distribution:

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

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

Independent Auditor's Report

Board of School Directors
Penn Manor School District
Millersville, 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 Penn Manor School District as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Brown Plus

Lancaster, Pennsylvania
December 12, 2025

Report on Compliance for the
Major Program and Report on Internal Control
Over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

Board of School Directors
Penn Manor School District
Millersville, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Penn Manor 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 Penn Manor School District's major federal program for the year ended June 30, 2025. Penn Manor School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Penn Manor School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the 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 the major federal program. Our audit does not provide a legal determination of the 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 Penn Manor School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Penn Manor School District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Penn Manor 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 Penn Manor 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 Penn Manor School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Brown Plus

Lancaster, Pennsylvania
December 12, 2025

PENN MANOR SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF AUDITOR'S RESULTS:

Financial statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Identification of major programs:

Assistance listing numbers

Name of federal program or cluster

84.027
84.173

Special Education Cluster:
Grants to States (IDEA, Part B)
Preschool Grants (Early Intervention IDEA)

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

\$ 750,000

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

II. FINANCIAL STATEMENT FINDINGS:

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None

PENN MANOR SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025

There were no prior year audit findings.