

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: “_” (_ Outlook) (_ Insured)
S&P: “A+” (Negative Outlook) (Underlying)
(See Ratings herein)

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax.

Each of the Bonds will be issued as a “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see “Tax Exemption and Other Tax Matters” herein.

\$5,160,000*

UPPER DAUPHIN AREA SCHOOL DISTRICT

Dauphin County, Pennsylvania

General Obligation Bonds, Series of 2026

Dated: Date of Delivery

Interest Due: March 1 and September 1

Principal Due: September 1, as shown on inside cover

First Interest Payment: September 1, 2026

The Bonds described herein are in the aggregate principal amount of \$5,160,000* General Obligation Bonds, Series of 2026 (the “Bonds”). The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Upper Dauphin Area School District, Dauphin County, Pennsylvania (the “School District”), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, within the limits provided by law. (See “Security” and “Taxing Powers of the School District” *infra*).

Interest on each of the Bonds is payable initially on September 1, 2026, and thereafter semiannually on March 1 and September 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Manufacturers and Traders Trust Company (the “Paying Agent”), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its principal corporate trust office presently located in Harrisburg, Pennsylvania or Buffalo, New York (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See “THE BONDS,” *infra*).

The Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to fund: (1) various capital projects, including the renovation, design, construction, furnishing and equipping of the High School, roof replacement at the Middle School and Elementary School, HVAC replacement at the Middle School, School District wide data wiring; (2) other ongoing or proposed capital projects as determined by the School District; and (3) the costs associated with issuing and insuring the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by __ (“”).

MATURITIES, AMOUNTS, RATES AND YIELDS

As Shown on Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saxton & Stump, LLC, Lancaster, Pennsylvania, Bond Counsel and Solicitor to the School District, to be furnished upon delivery of the Bonds. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, serves as Municipal Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about May 19, 2026.

PFM Financial Advisors LLC

Municipal Advisor to the School District

Dated:

*Estimated, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$5,160,000*
UPPER DAUPHIN AREA SCHOOL DISTRICT
Dauphin County, Pennsylvania
General Obligation Bonds, Series of 2026

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown on inside cover
First Interest Payment: September 1, 2026

BOND MATURITY SCHEDULE:

Maturity Date (September 1) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP Numbers⁽¹⁾
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				

⁽¹⁾ The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriters have agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

(A portion of the Bonds may be structured as Term Bonds. See “Invitation to Bid”.)

^{*}Estimated, subject to change.

UPPER DAUPHIN AREA SCHOOL DISTRICT

Dauphin County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Price Buffington	President
Grant Campbell	Vice-President
Nancy Jury	Treasurer*
Amie Savidge	Secretary*
David Barder	Member
Mills Eure	Member
Brian Henninger	Member
Joshua Stadheim	Member
Kimberly Welker	Member
Steve Welker	Member
Kirk Wenrich	Member

*Non-voting member.

SUPERINTENDENT

JARED W. SHADE

BUSINESS MANAGER

AMIE SAVIDGE

BOND COUNSEL & SOLICITOR

SAXTON & STUMP, LLC

Lancaster, Pennsylvania

MUNICIPAL ADVISOR

PFM FINANCIAL ADVISORS LLC

Harrisburg, Pennsylvania

UNDERWRITER

PAYING AGENT

MANUFACTURERS AND TRADERS TRUST COMPANY

Harrisburg, Pennsylvania or Buffalo, New York

SCHOOL DISTRICT ADDRESS

5668 State Route 209

Lykens, PA 17048

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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PRELIMINARY OFFICIAL STATEMENT

\$5,160,000*

General Obligation Bonds, Series of 2026

UPPER DAUPHIN AREA SCHOOL DISTRICT

Dauphin County, Pennsylvania

INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover pages hereof and Appendices hereto, is furnished by Upper Dauphin Area School District, Dauphin County, Pennsylvania (the "School District"), in connection with the offering of its \$5,160,000* General Obligation Bonds, Series of 2026, dated as of the date of delivery (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on March 26, 2026, and pursuant to the Local Government Unit Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996, (53 Pa. Cons. Stat. Chs. 80-82) as amended and supplemented (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to fund: (1) various capital projects, including the renovation, design, construction, furnishing and equipping of the High School, roof replacement at the Middle School and Elementary School, HVAC replacement at the Middle School, School District wide data wiring; (2) other ongoing or proposed capital projects as determined by the School District; and (3) the costs associated with issuing and insuring the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

<u>Sources of Funds</u>	<u>Total</u>
Par Amount	
Net Original Issue Premium/(Discount)	
<i>Total Sources of Funds</i>	
 <u>Uses of Funds</u>	
Construction Fund Deposit.....	
Costs of Issuance ⁽¹⁾	
<i>Total Uses of Funds</i>	

⁽¹⁾ Includes legal, municipal advisor, printing, rating, underwriter's discount, municipal bond insurance, CUSIP, paying agent and miscellaneous costs.

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THE BONDS

Description

The Bonds will be issued in fully registered form, in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$5,160,000*, will be dated as of May 19, 2026, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on September 1, 2026, and thereafter, semiannually on March 1 and September 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of Bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK – ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the “Paying Agent”), acting as paying agent, registrar and sinking fund depository for the Bonds, at its specified corporate trust office in Harrisburg, Pennsylvania or Buffalo, New York (or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding September 1, 2026, in which event such Bond shall bear interest from May 19, 2026, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) calendar day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Regular Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date (which shall be a business day) for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds at least ten days preceding such special record date but not more than fifteen days prior to the payment date of such defaulted interest.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under “Book-Entry Only System,” Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

*Estimated, subject to change.

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

But see "**Pennsylvania Budget Adoption**".

Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget.

After a week's delay, a \$45.2 billion budget for the state's 2022-2023 fiscal year was signed by Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at-risk student population. The total amount was a \$767.8 million (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023 multiple code bills were passed finalizing the 2023-24 Budget for education.

Governor Josh Shapiro signed the state's budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget included \$8.097 billion for the basic education funding appropriation. The total amount was a \$225 million increase over the 2023-2024 fiscal year appropriation. The budget also provided \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

After months of negotiations, Governor Josh Shapiro signed the state's budget for the 2025-26 fiscal year late on November 12, 2025. The \$50.1 billion budget includes (i) \$8.262 billion for the basic education funding appropriation, which is more than a \$100 million increase over the basic education funding appropriation for the 2024-25 fiscal year, and (ii) \$1.526 billion for the special education appropriation, which is a \$40,000,000 increase over the same appropriation for the 2024-25 fiscal year. The budget also increases the Ready to Learn Block Grant program appropriation by approximately 68% from the 2024-25 fiscal year. In addition, the budget hopes to provide \$175 million in estimated savings for school districts through reforms to the existing cyber charter school law.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. **Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See "Act 85 of 2016" hereinafter.**

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XV1-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of

subsidy payments by Pennsylvania Department of Education ("PDE") from a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statutes" Sections 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

(1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;

(2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and

(3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XV11-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Preliminary Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has, subject to statutory restrictions and limitations, covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District has, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable property within the School District, presently without limitation as to rate or amount for such purpose (See "The Taxpayer Relief Act" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "Commonwealth Enforcement of Debt Service Payments" herein).

Sinking Fund

A Sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund, Upper Dauphin Area School District, General Obligation Bonds, Series of 2026" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

BOND INSURANCE

[TBD]

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

REDEMPTION OF BONDS

Mandatory Redemption

Bidders may elect to structure the issue to include term Bonds, which term Bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

Bonds stated to mature September 1, 20__:

*Stated Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

Optional Redemption

The Bonds stated to mature on or after September 1, 2032, shall be subject to redemption prior to maturity, at the option of the School District, as a whole or in part, from time to time, in any order of maturities designated by the Issuer, on September 1, 2031, or on any date thereafter upon payment of a redemption price of 100% of the principal amount redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that less than all Bonds of any particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the paying agent.

On the date designated for redemption, notice having been mailed as provided in the Resolution, and money for payment of the principal and accrued interest being held by the Paying Agent (hereinafter defined), interest on the Bonds or portions thereof so called for redemption shall cease to accrue and the Bonds or portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Resolution, and registered owners thereof shall have no rights with respect thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

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THE SCHOOL DISTRICT

Introduction

The School District is comprised of Berrysburg Borough, Elizabethville Borough, Gratz Borough, Jefferson Township, Lykens Borough, Lykens Township, Mifflin Township, Pillow Borough and Washington Township. It is situated in the northeastern section of Dauphin County. It is located thirty miles north of Harrisburg in the center of outdoor enjoyment such as hunting, fishing, skiing, ice skating, swimming, camping, boating, and many others. The School District is easily accessible to major highways: 20 minutes from Interstate Route 81; 30 minutes from Route 322; 40 minutes from Route 22; 50 minutes to Pennsylvania Turnpike and is less than 45 minutes from downtown Harrisburg.

Administration

The School District is governed by a nine member Board of School Directors (the “School Board”), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Director, Business & Operations Services is responsible for budget and financial operations. Both of these officials are selected by the School Board.

School Facilities

The School District presently operates an elementary school, a middle school and a high school, all as described on the following table.

**TABLE 1
UPPER DAUPHIN AREA SCHOOL DISTRICT FACILITIES**

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition Renovation Date</u>	<u>Grades</u>	<u>Number of Classrooms</u>	<u>Rated Pupil Capacity</u>	<u>2025-26 Enrollment</u>
Upper Dauphin Elementary School.....	1990	2002	K-4	24	600	379
Upper Dauphin Middle School.....	1973	1990	5-8	32	808	312
Upper Dauphin High School.....	1958	2002	9-12	30	765	337

Source: School District officials.

Enrollment Trends

Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the School District's administrative officials.

**TABLE 2
UPPER DAUPHIN AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

<u>Actual Enrollments*</u>				<u>Projected Enrollments</u>			
<u>School Year</u>	<u>K-6 Elementary</u>	<u>7-12 Secondary</u>	<u>Total</u>	<u>School Year</u>	<u>K-6 Elementary</u>	<u>7-12 Secondary</u>	<u>Total</u>
2021-22	538	528	1,066	2026-27	538	476	1,014
2022-23	530	525	1,055	2027-28	528	479	1,007
2023-24	577	518	1,095	2028-29	514	492	1,006
2024-25	544	511	1,055	2029-30	488	514	1,002
2025-26	527	500	1,027	2030-31	490	503	993

Source: School District officials and Pennsylvania Department of Education estimates.

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SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). The School District financial statements are audited by an independent certified public account, as required by State law. The firm of Jones & Company of Lykens, Pennsylvania serves as the School District's Auditor.

Changes to the Budgeting Process of Pennsylvania School Districts under the 2006 Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "**The Taxpayer Relief Act**" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "**The Taxpayer Relief Act**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

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Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows audited revenues and expenditures for the past five years and the 2025-26 budget. The School District adopted 2025-26 budget reflects total revenues of \$24,317,008 and total expenditures of \$25,014,327.

TABLE 3
UPPER DAUPHIN AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET

	Actual				
ASSETS	2021	2022	2023	2024	2025
Cash and Cash Equivalents	\$10,678,939	\$10,481,057	\$10,637,679	\$10,170,237	\$8,775,816
Taxes Receivable	1,785,022	1,578,793	1,581,644	1,398,248	1,876,838
Due From Other Governments	1,017,540	2,967,734	2,029,385	1,197,724	1,253,000
Due From Other Funds	145,714	165,815	110,306	132,209	175,609
Other Receivables	0	0	0	6,634	279
Other Current Assets	317,380	122,945	223,047	300,109	7,510
TOTAL ASSETS	\$13,944,595	\$15,316,344	\$14,582,061	\$13,205,161	\$12,089,052
LIABILITIES					
Due to Other Funds	\$106,501	\$0	\$0	\$0	\$0
Due to Other Governments	659,055	596,317	0	714,421	838,741
Accounts Payable	534,181	1,725,340	1,551,059	1,420,902	655,877
Accrued Payroll/Salaries and Benefits	1,288,600	1,331,453	1,357,729	1,360,816	1,380,047
Other Current Liabilities	669,689	707,344	820,854	855,357	1,102,989
TOTAL LIABILITIES	\$3,258,026	\$4,360,454	\$3,729,642	\$4,351,496	\$3,977,654
<i>Deferred Inflows of Resources</i>	\$1,200,825	\$1,141,937	\$1,158,546	\$893,081	\$1,423,239
FUND EQUITIES					
Restricted Fund Balance	\$67,562	\$60,705	\$60,141	\$57,534	\$49,458
Committed Fund Balance	7,740,437	7,827,474	7,694,618	5,977,225	4,637,555
Unassigned Fund Balance	1,677,745	1,925,774	1,939,114	1,925,825	2,001,146
TOTAL FUND EQUITIES	\$9,485,744	\$9,813,953	\$9,693,873	\$7,960,584	\$6,688,159
TOTAL LIABILITIES AND FUND EQUITIES	\$13,944,595	\$15,316,344	\$14,582,061	\$13,205,161	\$12,089,052

Source: School District PDE-2057 Annual Financial Reports.

TABLE 4
UPPER DAUPHIN AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	Actual					Budgeted
	2021	2022	2023	2024	2025	2026⁽¹⁾
Beginning Fund Balance	\$8,823,640	\$9,734,915	\$9,813,952	\$9,693,872	\$7,960,584	\$6,688,159
Surplus (Deficit) of Revenue over Expenditures	911,275	79,037	(120,080)	(1,733,288)	(1,272,426)	(697,319)
Ending General Fund Balance	\$9,734,915	\$9,813,952	\$9,693,872	\$7,960,584	\$6,688,159	\$5,990,840

*Totals may not add due to rounding.

⁽¹⁾ Budget, as adopted June 10, 2025.

Source: School District PDE-2057 Annual Financial Reports and PDE-2028 Budget.

Revenue

The School District received \$25,881,935 in General Fund revenue in 2024-25 and budgeted revenue of \$24,317,008 for 2025-26. Local sources decreased as a share of total revenue in the past five years, from 46.08 percent in 2020-21 to 44.55 percent in 2024-25. Revenue from State sources increased as a share of the total revenue from 48.50 percent to 51.26 percent over this period. Federal revenue and other sources decreased as a share of total revenue, from 5.41 percent to 4.19 percent over this period.

TABLE 5
UPPER DAUPHIN AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(Years Ending June 30)

REVENUE:	Actual					Budget
	2021	2022	2023	2024	2025	2026 ⁽¹⁾
Local Sources:						
Real Estate Taxes (Current)	\$6,373,863	\$6,460,041	\$6,746,688	\$7,026,687	\$7,355,532	\$7,487,129
Interim Real Estate Taxes	14,195	30,034	45,330	8,047	17,695	20,000
Total Act 511 Taxes	1,964,240	2,042,373	2,142,273	2,139,146	2,174,629	2,005,000
Per Capita (Sec. 679) Tax	24,968	24,576	25,036	24,534	24,568	25,000
Public Utility Tax	7,455	7,630	7,719	7,253	0	7,500
Delinquencies Taxes	1,261,338	884,242	642,035	783,741	710,970	720,000
Payments in Lieu of Taxes	12,959	12,959	12,959	12,959	41,853	13,000
Earnings on Investments	127,957	154,287	244,303	371,000	315,633	300,000
Contributions and Donations from Private Sources	3,281	35,822	8,040	5,745	1,500	0
Revenues from LEA Activities	8,873	49,059	64,603	64,958	62,742	56,000
Receipts from Other LEAs in Pennsylvania	171,626	134,238	88,120	184,964	283,694	0
Federal IDEA Pass Through Revenue	198,169	216,991	173,381	182,212	183,998	190,000
Regular Day School Tuition	0	0	0	13,267	13,561	102,500
State Revenue Recd. from Othr. PA Public LEAs	0	0	0	186,374	325,704	0
Rentals	0	0	0	0	16,400	0
Other Revenues Not Specified Above	6,809	75,840	90,105	73,825	2,390	6,000
Total Local Sources	\$10,175,734	\$10,128,092	\$10,290,591	\$11,084,713	\$11,530,869	\$10,932,129
State Sources:						
Instructional Subsidy	\$5,992,555	\$6,118,721	\$6,431,151	\$6,643,779	\$6,770,623	\$6,809,872
Charter Schools	0	0	0	0	138,044	0
Tuition for Orphans and Children	0	0	0	2,054	0	0
Vocational Education	121,399	155,848	206,863	257,291	288,509	341,447
Special Education	858,531	812,065	918,310	936,580	990,024	1,007,063
Pre-K Counts	121,033	131,199	144,981	0	0	300,000
Transportation	858,549	848,164	946,265	1,073,743	1,211,613	1,002,000
Rentals and Sinking Fund Payments	9,145	38,308	131,743	0	263,632	0
Health Services	20,813	19,617	19,501	19,720	19,410	23,000
Feminine Hygiene Product Funding	0	0	0	0	1,818	0
State Property Tax Reduction Allocation	419,202	418,484	527,445	528,013	633,402	728,820
Facility Improvements/Environmental Subsidies	0	0	0	0	248,426	0
State Share of Social Security and Medicare Taxes	367,722	343,578	356,784	368,913	384,279	350,000
Revenue for Retirement Contributions	1,685,254	1,776,213	1,876,382	1,848,097	1,864,548	1,850,000
School Mental Health & Safety & Security Grants	33,927	45,020	5,167	59,110	140,614	0
Ready to Learn Block Grant	202,061	202,061	202,061	202,061	282,934	363,847
Supplemental Equipment Grants	19,645	15,020	0	44,096	0	0
Additional Grants	0	0	7,528	0	18,462	0
Other Revenue Not Listed Elsewhere in 7000 Series	0	0	0	0	10,000	0
Total State Sources	\$10,709,835	\$10,924,299	\$11,774,181	\$11,983,457	\$13,266,337	\$12,776,049
Federal Sources:						
Total Federal Sources	\$1,195,027	\$3,032,461	\$2,581,762	\$1,507,381	\$1,084,729	\$608,830
Other Sources:						
Total Other Sources	\$0	\$0	\$0	\$55,800	\$0	\$0
TOTAL REVENUE	\$22,080,595	\$24,084,851	\$24,646,535	\$24,631,350	\$25,881,935	\$24,317,008
EXPENDITURES:						
Total Instruction	\$13,572,465	\$14,384,036	\$15,174,779	\$16,002,102	\$17,437,438	\$16,541,855
Pupil Personnel	573,128	690,533	706,454	812,326	903,296	805,337
Instructional Staff	376,818	386,757	325,344	306,327	396,029	406,599
Administration	1,244,181	1,239,632	1,332,157	1,364,535	1,401,988	1,462,464
Pupil Health	228,029	209,549	233,584	210,059	257,933	268,967
Business	328,882	322,943	332,521	337,821	359,995	363,836
Operation and Maintenance	1,698,453	1,692,221	2,024,923	2,724,682	2,340,929	2,101,262
Student Transportation	1,036,625	1,291,999	1,427,718	1,529,449	1,455,795	1,162,000
Central	614,961	455,946	380,122	424,685	409,031	389,536
Other Support	9,421	9,355	9,158	9,084	9,187	0
Operation of Non-Instructional Services	366,887	696,638	577,633	469,769	566,646	574,271
Facilities, Acq., Construction & Impro Svcs	0	1,638,471	1,088,005	1,056,320	400,671	0
Debt Service	1,087,069	978,213	1,154,218	1,117,479	1,131,425	938,200
Special and Extraordinary Items	0	0	0	0	83,998	0
Interfund Transfers - Out	32,399	9,520	0	0	0	0
TOTAL EXPENDITURES	\$21,169,319	\$24,005,814	\$24,766,614	\$26,364,638	\$27,154,361	\$25,014,327
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$911,275	\$79,037	(\$120,080)	(\$1,733,288)	(\$1,272,426)	(\$697,319)

*Totals may not add due to rounding.

⁽¹⁾ Budget, as adopted June 10, 2025.

Source: School District PDE-2057 Annual Financial Reports and PDE-2028 Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current, next, and prior four fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2021-22	4.1%
2022-23	4.6%
2023-24	5.6%
2024-25	7.1%
2025-26	5.4%
2026-27	4.8%

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was NOT approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Eligible for Act 1 Exception

The Bonds were not authorized before the June 27, 2006, the effective date of Act 1. Therefore, the Bonds do not qualify for the exception to the referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72). The School District must include the increased debt service due on the Bonds within each applicable Fiscal Year Index.

State Law Authorizing Replacement of the School District’s Occupation Tax with an Increase in the Local Earned Income Tax

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district’s occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% tax on the annual amount of residents’ wages and other earned income (which excludes unearned or investment income), with the resident’s municipality. Under the new law, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation, and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

Legislation Limiting Unreserved Undesignated Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$16,095,000 and \$12,999,999.....	11.5%
Between \$13,000,000 and \$13,999,999.....	11.0%
Between \$14,000,000 and \$14,999,999.....	10.5%
Between \$15,000,000 and \$15,999,999.....	10.0%
Between \$16,000,000 and \$16,999,999.....	9.5%
Between \$17,000,000 and \$17,999,999.....	9.0%
Between \$18,000,000 and \$18,999,999.....	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved undesignated fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the five boroughs and four townships comprising the School District, and Dauphin County.

TABLE 6
UPPER DAUPHIN AREA SCHOOL DISTRICT TAX RATES

Year	Real Estate (mills)	Real Estate Transfer (%)	Wage and Income (%)	Occupation Privilege (\$)	Per Capita⁽¹⁾ (\$)
2021-22	18.8775	0.50%	0.50%	\$250.00	\$10.00
2022-23	19.4438	0.50%	0.50%	\$250.00	\$10.00
2023-24	19.9882	0.50%	0.50%	\$250.00	\$10.00
2024-25	20.6978	0.50%	0.50%	\$250.00	\$10.00
2025-26	21.8154	0.50%	0.50%	\$250.00	\$10.00

⁽¹⁾ Includes Section 679 and Act 511 taxes.

Source: School District PDE-2028 Annual Budgets and PA DCED – Municipal Statistics.

TABLE 7
UPPER DAUPHIN AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
<i>School District.....</i>	18.8775	19.4438	19.9882	20.6978	21.8154
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Berrysburg Borough	3.0000	3.0000	3.0000	3.0000	3.0000
Elizabethville Borough	6.2300	6.2300	6.2300	6.5800	6.5800
Gratz Borough	0.8025	0.8025	0.8025	0.8025	0.8025
Jefferson Township.....	0.7800	0.7800	0.7800	0.7800	0.7800
Lykens Borough.....	5.1700	5.1700	5.1700	5.1700	5.1700
Lykens Township.....	0.5000	0.5000	0.7500	0.7500	0.7500
Mifflin Township.....	0.5000	0.5000	0.5000	0.5000	0.5000
Pillow Borough.....	5.0000	6.0000	6.0000	6.0000	6.0000
Washington Township	1.6700	2.1700	2.1700	2.5200	2.7400
Dauphin County ⁽¹⁾	7.2260	7.2260	7.2260	8.7260	9.5430

Source: School District PDE-2028 Annual Budgets and PA DCED – Municipal Statistics.

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Real Property Tax

The real property tax (excluding delinquent collections) produced \$7,355,532 in 2024-25 or approximately 28.42% of total revenue according to the School District's PDE-2057 Annual Financial Report. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last county-wide assessment in Dauphin County became effective in January 2002.

TABLE 8
UPPER DAUPHIN AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2020-21	\$517,670,082	\$389,839,500	75.31%
2021-22	519,787,932	390,701,000	75.17%
2022-23	566,759,396	394,066,100	69.53%
2023-24	560,734,960	392,753,300	70.04%
2024-25	647,117,064	404,389,000	62.49%
Compound Average Annual Percentage Change	5.74%	0.92%	

Source: Pennsylvania State Tax Equalization Board.

TABLE 9
UPPER DAUPHIN AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2023-24 Market Value	2023-24 Assessed Value	2024-25 Market Value	2024-25 Assessed Value
Upper Dauphin School District	\$560,734,960	\$392,753,300	\$647,117,064	\$404,389,000
Berrysburg Borough	16,271,704	10,090,100	19,078,187	10,236,600
Elizabethville Borough	59,878,434	41,127,500	68,820,169	42,072,100
Gratz Borough	43,436,278	28,910,700	47,895,121	29,246,100
Jefferson Township	31,525,199	21,091,600	33,556,082	21,228,300
Lykens Borough	59,089,482	43,597,400	69,273,629	43,696,000
Lykens Township	112,463,882	74,426,600	131,635,801	77,100,100
Mifflin Township	60,739,247	42,911,600	80,386,655	49,328,800
Pillow Borough	11,793,848	8,641,700	13,573,395	8,640,000
Washington Township	165,536,886	121,956,100	182,898,025	122,841,000
Dauphin County	22,959,205,552	15,941,372,103	25,765,224,734	16,362,759,523

Source: Pennsylvania State Tax Equalization Board.

TABLE 10
UPPER DAUPHIN AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2020-21	2021-22	2022-23	2023-24	2024-25
Residential	\$237,990,700	\$237,881,900	\$239,728,900	\$242,016,000	\$242,841,300
Lots	6,262,000	6,244,100	6,192,200	6,229,500	6,309,100
Industrial	10,481,500	10,481,500	10,481,500	10,831,700	14,289,000
Commercial	55,376,600	56,318,600	57,273,800	51,055,000	58,336,100
Agriculture	62,415,100	62,284,400	63,257,200	65,021,000	65,143,200
Land	8,547,200	8,827,100	8,377,700	8,780,100	8,721,500
Seasonal	2,384,100	2,177,200	2,014,300	2,091,100	2,032,600
Trailers	6,240,900	6,344,800	6,599,100	6,587,500	6,574,800
Oil/Gas/Min.	141,400	141,400	141,400	141,400	141,400
Total	\$389,839,500	\$390,701,000	\$394,066,100	\$392,753,300	\$404,389,000

Source: Pennsylvania State Tax Equalization Board.

TABLE 11
UPPER DAUPHIN AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

School Year	Gross Adjusted Levy	Current Collections Amount	Current Year Collections As a Percent	Total Collections Amount⁽¹⁾	Total Collections As a Per cent
2021-22	\$6,970,949	\$6,460,041	92.67%	\$7,034,753	100.92%
2022-23	7,176,884	6,746,688	94.01%	7,118,390	99.18%
2023-24	7,520,612	7,026,687	93.43%	7,482,998	99.50%
2024-25	7,783,842	7,355,532	94.50%	7,808,434	100.32%
2025-26 ⁽²⁾	8,186,466	7,633,104	93.24%	7,943,931	97.04%

⁽¹⁾ Includes delinquent realty taxes collected only.

⁽²⁾ As of March 9, 2026.

Source: School District and County Officials.

The ten largest real property taxpayers, together with 2024-25 assessed values are shown in Table 12. The aggregate assessed value of these ten taxpayers totals approximately 5.68 percent of total assessed value.

TABLE 12
UPPER DAUPHIN AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2025-26

Name	2025-26 Assessed Values
Walmart Realty Company	\$4,365,400
Advanced Scientifics Inc	3,954,200
MI Windows & Doors Inc	3,055,000
LI & LA Properties LLC	2,157,100
Emway Farms LLC	2,015,700
Vernon Gessner	1,620,400
Dauphin County Industrial Deve	1,582,400
Aquilla King	1,476,600
Ritescreen Company	1,419,600
Hen House Storage LP	1,309,400
Total	<u><u>\$22,955,800</u></u>

Source: School District officials.

Other Taxes

Under Act 511, the School District's collectable taxes in 2024-25 yielded approximately \$2,174,629 in other taxes, according to the School District's PDE-2057 Annual Financial Report. Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Wage and Income Tax, Per Capita Tax and the Occupation Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was approximately \$7,765,405.

Real Estate Transfer. The School District levies a tax of one half percent of the value of real estate transfers. In 2024-25, the School District's collected portion of this tax yielded approximately \$147,065 or 0.57 percent of total revenue.

Wage and Income Tax. A tax of one half percent of the earned income of residents is levied by the School District. In 2024-25, the School District's collected portion of this tax yielded approximately \$1,284,881 or 4.96 percent of total revenue.

Per Capita Tax. A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the Public School Code) on each resident over 18 years old should yield approximately \$24,568 in 2024-25, or 0.09 percent of total revenue.

Occupation Tax. The School District levies a tax of 250 mills of the assessed value of occupations. In 2024-25 this tax is to yield approximately \$718,115 or 2.77 percent of total revenue.

COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service, and debt service.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (59.26%) or the wealth based Market Value Aid Ratio ("MVAR") currently (60.16%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

The School District estimates the Bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This new moratorium went into effect on May 15, 2016 and expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year.

To date, the CFA has issued \$1,170,705,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, as well as its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

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DEBT AND DEBT LIMITS

Debt Statement

Table 13 shows the debt of the School District as of March 13, 2026 including the issuance of the estimated Bonds.

TABLE 13
UPPER DAUPHIN AREA SCHOOL DISTRICT
DEBT STATEMENT*
(As of March 13, 2026)

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2026 (last maturity 2037)	\$5,160,000
General Obligation Bonds, Series of 2019 (last maturity 2030)	4,310,000
TOTAL NONELECTORAL DEBT	\$9,470,000
LEASE RENTAL	
TOTAL LEASE RENTAL	\$0
TOTAL PRINCIPAL OF DIRECT DEBT	\$9,470,000

*Includes the estimated Bonds offered through this Preliminary Official Statement.

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Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the estimated Bonds, the principal of direct debt of the School District will total \$9,470,000. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$9,470,000.

TABLE 14
UPPER DAUPHIN AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS
(As of March 13, 2026)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$9,470,000	\$9,470,000
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT.....	\$9,470,000	\$9,470,000
OVERLAPPING DEBT		
Dauphin County, General Obligation ⁽²⁾	\$7,912,369	\$7,912,369
Municipal General Obligation Debt.....	3,913,162	3,913,162
TOTAL OVERLAPPING DEBT.....	\$11,825,531	\$11,825,531
TOTAL DIRECT AND OVERLAPPING DEBT.....	\$21,295,531	\$21,295,531
DEBT RATIOS		
Direct Debt Per Capita (2020 Population)	\$1,001.59	\$1,001.59
Direct Debt Percent 2024-25 Assessed Value	2.34%	2.34%
Direct Debt Percent 2024-25 Market Value.....	1.46%	1.46%
Direct & Overlapping Debt Per Capita (2020 Population)	\$2,252.30	\$2,252.30
Direct & Overlapping Debt Percent 2024-25 Assessed Value.....	5.27%	5.27%
Direct & Overlapping Debt Percent 2024-25 Market Value.....	3.29%	3.29%

*Includes the estimated Bonds offered through this Preliminary Official Statement.

⁽¹⁾ Gives effect to current appropriations for payment of debt service, and expected future Commonwealth reimbursement of School District sinking fund payments based on current Aid Ratio. "See "State Aid to School Districts. The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by state sources.

⁽²⁾ Pro rata 2.47% share of \$320,157,562.72 principal amount outstanding as of March 13, 2026. Does not include the long-term pending debt of Dauphin County which has not yet been issued.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2022-23.....	\$22,550,467
Total Revenues for 2023-24.....	23,663,647
Total Revenues for 2024-25.....	25,141,984
Total	\$71,356,099
Annual Arithmetic Average (Borrowing Base)	\$23,785,366

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit: 225% of Borrowing Base.....	\$53,517,074	\$9,470,000	\$44,047,074

*Includes the estimated Bonds described herein.

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Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 15
UPPER DAUPHIN AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>Existing General</u>	<u>Series of 2026</u>			<u>Total</u>
	<u>Obligation Debt</u>	<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	<u>Requirements</u>
2025-26	\$938,200				
2026-27	941,075				
2027-28	942,475				
2028-29	942,350				
2029-30	938,400				
2030-31	842,450				
2031-32	0				
2032-33	0				
2033-34	0				
2034-35	0				
2035-36	0				
2036-37	0				
2037-38	0				
Total	\$5,544,950				

*Totals may not add due to rounding.

**TABLE 16
UPPER DAUPHIN AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID***

2024-25 Commonwealth Aid Received	\$13,266,337
2024-25 Debt Service Requirements	\$1,131,425
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2024-25 Debt Service Requirements	11.73 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	times

*Assumes current Commonwealth Aid Ratio. See "Commonwealth Aid to School Districts."

Future Financing

The School District does not plan to issue additional long-term debt within the next 2-4 years.

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LABOR RELATIONS

School District Employees

There are presently 164 employees of the School District, including 102 teachers and administrators, and 62 support personnel including secretaries, custodial staff, maintenance staff, cafeteria staff and transportation staff.

The School District's teachers are represented by the Upper Dauphin Area Education Association, an affiliate of the Pennsylvania State Education Association, under a contract with the School District, which expires on June 30, 2026. Negotiations are currently underway for the renewal of this contract, but nothing has been settled yet.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 34.00% for the fiscal year 2025-26 and a rate of 33.60% for the fiscal year 2026-27.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2021-22	\$3,023,299
2022-23	3,214,219
2023-24	3,170,074
2024-25	3,150,989
2025-26 (Budgeted)	3,120,000

At June 30, 2024, the School District reported a liability of \$26,113,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2023, the School District's proportion as 0.0587% which was no change from its proportion measured as of June 30, 2022.

As of June 30, 2025, the PSERS plan was approximately 68.0% funded, with an employer net pension liability of approximately \$38.3 billion. The unfunded actuarial accrued liability was approximately \$42.3 billion as of June 30, 2024. PSERS' rate of return for the fiscal year ended June 30, 2025 was 9.67%. The Fund had plan net assets of \$83.7 billion at June 30, 2025. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials, School District Audited Financial Statements, and PSERS.

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for current and future eligible retired employees, and to provide retirement severance pay for existing eligible employees. The School District has become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statement for the fiscal year ending June 30, 2009.

LITIGATION

At the time of settlement, the School Board and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue the Bonds.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies herein before described.

TAX EXEMPTION

In the opinion of Saxton & Stump, LLC, Lancaster, Pennsylvania, Bond Counsel, interest on the Bonds (a) is excludable from the gross income of the registered owners thereof for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") and any regulations thereunder, now or hereafter enacted, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in the gross income of the registered owners thereof retroactive to the date of issuance of the Bonds. The issuer has covenanted to comply with all such requirements. Except for the discussion of original issue discount below, Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel is of the opinion, based on existing law, that the original issue discount in the selling price of Bonds, if any, to the extent properly allocable to each holder of such Bonds, is excluded from gross income for federal income tax purposes with respect to such holder. The original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. Original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to holders of such Bonds who acquire the Bonds in this offering during any accrual period generally equals (i) the issue price of such Bonds plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bonds (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Bonds during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's tax basis in such Bonds. Any gain realized by the holder from a sale, exchange, payment or redemption of a Bond would be treated as gain from the sale or exchange of such Bond.

Prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265 (b)(5) of the Code), (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, for taxable years beginning after December 31, 1986, Section 832 (b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) for taxable years beginning after December 31, 1986, interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

The Bonds are "qualified tax exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265 (b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

In the opinion of Bond Counsel, under the existing statutes, regulations and decisions, the interest on the Bonds is exempt from taxation for state and local purposes within the Commonwealth of Pennsylvania. Such exemption, however, does not extend to profits, gains or income derived from the sale, exchange or other disposition of the Bonds, nor to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds. Under the laws of the Commonwealth profits, gains, or income derived from the sale, exchange, or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania. Pennsylvania Act 68 of 1993 enacted a statutory provision allowing taxation of such profits, gains or income; although the statute is unclear as to its applicability to obligations of political subdivisions, the Pennsylvania Department of Revenue interprets the statute as applicable to obligations of political subdivisions.

The issuer of the Bonds will issue its certificate to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds, it is not expected that proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” under Section 103 (b)(2) and Section 148 of the Internal Revenue Code of 1986, as amended, or as contemplated by the United States Treasury regulations relating to “arbitrage bonds”.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide the following to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent:

- (A) Annually, not later than **270 days** following the end of each fiscal year, beginning with the fiscal year ending June 30, 2026, the following financial information and operating information for the School District:
 - (1) financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units
 - (2) a summary of the budget for the current fiscal year when available (i.e. the fiscal year following the fiscal year of the financial statements being provided)
- (B) If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
 - (7) modifications to rights of holders of the Bonds, if material;
 - (8) bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the School District;
 - (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the School District, any of which reflect financial difficulties.
- (D) in a timely manner, notice of a failure of the School District to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access ("EMMA") System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Some operating data of the School District may be inherently included in the annual filings of financial statements, the summary of the budget, contents in Preliminary Official Statements of future bond issues as well as publicly available information. In connection with the Continuing Disclosure Undertaking associated with the Bonds, the School District will not be filing this information separately but it may be available in the other annual filings of the School District or publicly available elsewhere.

Existing Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing	Financial Statements		Budget		Operating Data	
	Deadline ^[1]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2021	12/27/2021	8/29/2022 ^[3]	P11178604	12/23/2021	P11178604	12/23/2021	P11178604
6/30/2022	3/27/2023	3/24/2023	P21277348	3/24/2023	P21277348	Not Applicable ^[5]	Not Applicable
6/30/2023	3/26/2024	3/11/2026 ^[4]	P21520456	3/25/2024	P11317310	Not Applicable ^[5]	Not Applicable
6/30/2024	3/27/2025	3/25/2025	P11384107	3/25/2025	P11384107	Not Applicable ^[5]	Not Applicable
6/30/2025	3/27/2026	3/12/2026	P21521429	3/12/2026	P21521429	Not Applicable ^[5]	Not Applicable

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] For fiscal year ending June 30, 2021, the School District filed a failure to file timely notice and its PDE-2057 Annual Financial Report, as an interim filing, on December 23, 2021, in relation to the fiscal year ending June 30, 2021 audited financial statements. The School District subsequently filed its audited financial statements on August 29, 2022.

^[4] For the fiscal year ending June 30, 2023, the School District filed a failure to file timely notice on in relation to the fiscal year ending June 30, 2023 audited financial statements. The School District subsequently filed its audited financial statements late on March 11, 2026.

^[5] For the fiscal year ending June 30, 2022, through and including the fiscal year ending June 30, 2025, the School District did not have any operating data requirements.

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal years ending June 30, 2021, June 30, 2022, June 30, 2024, and June 30, 2025, the School District filed its Audited Financial Statements, Budgets, and Operating Data (when applicable) timely.

For fiscal year ending June 30, 2023, the School District filed its Budget timely but failed to file its Audited Financial Statements timely. However, the School District did file a failure to file notice timely on March 25, 2024. The Audited Financial Statements were subsequently filed to EMMA when the omission was recognized on March 11, 2026. The School District did not have operating data requirements for fiscal year ending June 30, 2023.

Future Continuing Disclosure Compliance

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's municipal advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its municipal advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

RATINGS

S&P Global Ratings is expected to assign an underlying rating of "A+" (Negative Outlook) to this issue of Bonds. S&P Global Ratings has assigned its municipal bond rating of "___" (___ Outlook) to this issue of Bonds, has done so with the understanding that upon delivery of the Bonds, the Municipal Bond Insurance Policy will be issued by ___. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, New York, New York 10041-0003. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$___, equal to the par value of the Bonds less an underwriters' discount of \$___ plus/minus a net original issue premium/(discount) of \$___, plus accrued interest from the dated date to the date of delivery of the Bonds.

LEGAL OPINION

The Bonds are offered with the approving legal opinion of Saxton & Stump, LLC, Lancaster, Pennsylvania, Bond Counsel and Solicitor to the School District.

MUNICIPAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania as municipal advisor (the "Municipal Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Municipal Advisor to the School District. The information set forth in this Preliminary Official Statement had been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Municipal Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA

By: _____
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Upper Dauphin Area School District

Introduction

The School District lies within the County of Dauphin in south central Pennsylvania, approximately 100 miles west of Philadelphia, 200 miles east of Pittsburgh and adjacent to the City of Harrisburg, the county seat and capitol of the Commonwealth. It encompasses the boroughs of Lykens, Elizabethville, Gratz, Berrysburg, and Pillow, as well as the townships of Jefferson, Washington, Mifflin, and Lykens. The district features one elementary school, one middle school, and one high school. The School District is located in the fifth largest metropolitan area in the Commonwealth and is part of the Harrisburg Standard Metropolitan Statistical Area (the “MSA”) which includes Dauphin, Cumberland and Perry Counties.

Population

Table A-1 which follows shows recent population trends for the School District, Dauphin County and the Commonwealth. Table A-2 shows the 2024 age composition and average number of persons per household in Dauphin County and for the Commonwealth. Average household size for Dauphin County was slightly smaller than the statewide average.

**TABLE A-1
RECENT POPULATION TRENDS**

<u>Area</u>	<u>2010</u>	<u>2020</u>	Compound Average Annual Percentage Change <u>2010-2020</u>
School District	9,755	9,455	-0.31%
Dauphin County	268,100	286,401	0.66%
Pennsylvania.....	12,702,379	13,002,700	0.23%

Source: U.S. Census Bureau - Decennial Census 2010-2020.

**TABLE A-2
AGE COMPOSITION**

	<u>0-17</u>	<u>18-64</u>	<u>65+</u>	<u>Persons Per</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Household</u>
Dauphin County.....	22.0	59.2	18.8	2.33
Pennsylvania.....	20.1	59.5	20.4	2.39

Source: U.S. Census Bureau – American Community Survey 2020-2024 Estimates.

Employment

Overall industry employment data are not compiled for the School District or municipalities, but such data are compiled for the Harrisburg-Carlisle Metropolitan Statistical Area (Cumberland, Dauphin and Perry Counties) the (“MSA”).

TABLE A-3
HARRISBURG-CARLISLE METROPOLITAN STATISTICAL AREA BY INDUSTRY
(Cumberland, Dauphin, and Perry counties)
December 2025

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Dec 2025	Nov 2025	Oct 2025	Dec 2024	Nov 2025	Dec 2024
Total Nonfarm	375,100	374,400	372,200	372,400	700	2,700
Total Private	315,400	314,500	312,800	313,000	900	2,400
Goods Producing	34,100	34,000	34,200	34,300	100	-200
Mining, Logging, and Construction	12,900	13,000	13,100	12,600	-100	300
Manufacturing	21,200	21,000	21,100	21,700	200	-500
Durable Goods	9,500	9,400	9,500	10,000	100	-500
Non-Durable Goods	11,700	11,600	11,600	11,700	100	0
Food mfg.	6,600	6,600	6,500	6,600	0	0
Service-Producing	341,000	340,400	338,000	338,100	600	2,900
Private Service-Providing	281,300	280,500	278,600	278,700	800	2,600
Trade, Transportation, and Utilities	84,100	82,800	80,400	83,900	1,300	200
Wholesale Trade	12,400	12,500	12,500	12,900	-100	-500
Retail Trade	32,600	32,200	31,500	32,500	400	100
General merchandise stores	6,300	6,200	5,700	6,000	100	300
Transportation, Warehousing, and Utilities	39,100	38,100	36,400	38,500	1,000	600
Transportation and Warehousing	38,600	37,600	35,900	38,000	1,000	600
Truck Transportation	7,500	7,500	7,400	7,500	0	0
Warehousing and Storage	17,800	17,700	17,000	18,000	100	-200
Information	3,200	3,100	3,200	3,200	100	0
Financial Activities	20,400	20,300	20,300	19,900	100	500
Finance and Insurance	17,200	17,000	17,000	16,700	200	500
Professional and Business Services	51,000	51,400	51,500	51,900	-400	-900
Professional and Technical Services	22,000	22,100	22,200	21,600	-100	400
Management of Companies and Enterprises	10,300	10,400	10,400	10,400	-100	-100
Administrative and Waste Services	18,700	18,900	18,900	19,900	-200	-1,200
Education and Health Services	76,200	76,100	75,600	73,300	100	2,900
Educational Services	10,200	10,200	10,000	9,300	0	900
Health Care and Social Assistance	66,000	65,900	65,600	64,000	100	2,000
Hospitals	21,400	21,300	21,300	20,500	100	900
Leisure and Hospitality	29,900	30,300	31,000	30,000	-400	-100
Accommodation and Food Services	22,300	22,600	22,900	22,700	-300	-400
Food Services and Drinking Places	18,500	18,800	19,000	18,900	-300	-400
Other Services	16,500	16,500	16,600	16,500	0	0
Government	59,700	59,900	59,400	59,400	-200	300
Federal Government	7,000	7,000	7,000	7,400	0	-400
State Government	31,600	31,800	31,500	31,200	-200	400
Local Government	21,100	21,100	20,900	20,800	0	300
Local Government Educational Services	14,400	14,400	14,200	14,100	0	300
Local Government Excluding Educational Services	6,700	6,700	6,700	6,700	0	0
Data benchmarked to March 2024	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania Department of Labor and Industry, website: www.paworkstats.state.pa.us

Major employers located within commuting distance of the School District include:

**Dauphin County
3rd Quarter 2025**

Employer
State Government
Milton S Hershey Medical Center
Hershey Entertainment & Resorts Co
UPMC Pinnacle Hospitals
The Hershey Company
United Parcel Service Inc
Federal Government
Penn State Health
Pennsylvania State University
Milton Hershey School

Source: PA Department of Labor and Industry Center for Workforce Information & Analysis Largest Employers for Dauphin County Q3 2025.

Table A-4 shows recent trends in labor force, employment and unemployment for Dauphin County and the Commonwealth.

**TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025⁽¹⁾</u>	Compound Average Annual % Rate⁽²⁾
<i>Dauphin County</i>							
Civilian Labor Force	148,400	145,700	146,200	148,600	149,600	150,000	0.16%
Employment	135,700	137,200	140,600	143,500	144,300	144,500	1.24%
Unemployment	12,700	8,500	5,600	5,200	5,300	5,500	-16.04%
Unemployment Rate.....	8.6%	5.8%	3.8%	3.5%	3.5%	3.6%	
<i>Pennsylvania</i>							
Civilian Labor Force	6,501,000	6,425,000	6,471,000	6,561,000	6,577,000	6,558,000	0.23%
Employment	5,927,000	6,048,000	6,203,000	6,321,000	6,337,000	6,318,000	1.35%
Unemployment	574,000	377,000	268,000	240,000	239,000	240,000	-16.07%
Unemployment Rate.....	8.8%	5.9%	4.1%	3.7%	3.6%	3.7%	

⁽¹⁾ As of December 2025.

⁽²⁾ Compound average annual percentage rate calculated from 2020-2024.

Source: PA Department of Labor & Industry Center for Workforce Analysis – LAUS.

Income

The data on Table A-5 shows recent trends in per capita income for the School District, Dauphin County and the Commonwealth over the 2010-2020 period. Per capita income in the School District and in Dauphin County is somewhat lower than average per capita income in the Commonwealth, and it increased at a faster rate over this period than per capita income for the Commonwealth.

**TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME***

	<u>2010</u>	<u>2020</u>	Compound Average Annual Percentage Change <u>2010-2020</u>
School District	\$22,366	\$25,762	1.42%
Dauphin County.....	27,052	35,061	2.63%
Pennsylvania.....	26,374	35,518	3.02%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: U.S. Census Bureau – American Community Survey 2020 5-year estimates.

Commercial Activity

Table A-6 shows recent trends for retail sales in Dauphin County and the State.

**TABLE A-6
TOTAL RETAIL SALES
(\$000)**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Dauphin County.....	\$5,036,045,086	\$5,362,568,710	\$5,866,773,930	\$5,846,312,626	\$7,439,795,911
MSA	12,845,289,162	13,628,273,199	14,842,523,549	14,669,568,351	19,121,246,121
Pennsylvania.....	274,685,600,234	297,770,326,880	310,912,244,437	317,239,286,955	403,629,014,772

Source: Claritas, Inc.

Educational Institutions

The School District and surrounding area have a number of institutions of higher learning including the Penn State Milton S. Hershey Medical Center, in Hershey, the Harrisburg Area Community College, Penn State Harrisburg Campus in Middletown, Penn State Dickinson Law School, Messiah College and the University Center at Harrisburg which consists of extension programs offered by a consortium of five institutions of higher learning including Pennsylvania State University and the University of Pennsylvania. Temple University has a branch campus in Harrisburg and Widener Law School has a campus in Susquehanna Township. The largest of these schools in terms of enrollment is the Harrisburg Area Community College (“HACC”), which was the first comprehensive Community College to be established in the Commonwealth and serves the MSA. Founded in 1964 and fully accredited, this two-year college occupies a campus of 157 acres. Since HACC’s inception in 1964, HACC has grown from a single campus of 426 students into a multi-campus institution which enrolls nearly 15,000 credit students each semester, in campuses throughout the MSA including Harrisburg, Gettysburg, Lancaster, Lebanon and York.

Medical Facilities

Although there are no hospitals located within the School District, residents are served by several hospitals located in the Harrisburg area: UPMC Pinnacle Health Systems which consists of four facilities within the system in the area; UPMC Pinnacle Community Osteopathic Hospital, UPMC Pinnacle Harrisburg Hospital, UPMC Pinnacle West Shore and UPMC Pinnacle Carlisle. Also serving residents of the School District are Penn State Milton S. Hershey Medical and Geisinger Holy Spirit Hospital.

Transportation

The School District is served by U.S. Route 209 which goes through the School District in an east to west direction.

The Harrisburg International Airport (HIA) is located in Middletown. The Airport has a 10,000 foot runway and can handle the nation's largest commercial and military aircraft. The U.S. Commerce Department has simplified export procedures for the Harrisburg Port-of-Entry, so that cargo may now be flown directly from Harrisburg to foreign countries as well as any domestic point. The Airport is served by Allegiant, United Airlines, Delta Airlines, American Airlines and Frontier Airlines, in addition to several commuter airlines. General aviation service is also available at the Capital City Airport and three other airports in the Harrisburg metropolitan area.

Norfolk Southern facilities, which include the mainline of the former Conrail, offer freight transportation to and from the Harrisburg area. The yard at Enola in Cumberland County is one of the largest classification yards on the Norfolk Southern system. AMTRAK operates regular daily passenger service through the County to major eastern, southern and western cities. The Harrisburg Transportation Center serving AMTRAK and Greyhound Bus Lines completed a \$26 million renovation and restoration.

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APPENDIX B
Opinion of Bond Counsel

SAXTON & STUMP

LAWYERS AND CONSULTANTS

280 Granite Run Drive, Suite 300 • Lancaster, PA 17601
P: (717) 556-1000 • F: (717) 441-3810

DRAFT

**UPPER DAUPHIN AREA SCHOOL DISTRICT
DAUPHIN COUNTY, PENNSYLVANIA
\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2026**

OPINION

We have acted as Bond Counsel in connection with the issuance by the Upper Dauphin Area School District, Dauphin County, Pennsylvania (the "School District"), of the \$ _____ General Obligation Bonds, Series of 2026 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to two resolutions adopted by the Board of School Directors of the School District on March 26, 2026.

2. The Bonds are a valid and binding obligation of the School District.

3. The School District has established with the Paying Agent, as Sinking Fund Depositary, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.

4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the "state aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are “qualified tax-exempt obligations” as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”) and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of the portion of such financial institutions’ interest expense allocable to interest on the Bonds. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that the Bonds continue to constitute qualified tax exempt obligations for purposes of Section 265(b)(3) of the Code. Failure to comply with such requirements may cause the Bonds to cease to constitute qualified tax exempt obligations, with the result that the Bonds would have to be taken into account by financial institutions (as defined in Section 265(b)(5) of the Code) for purposes of determining the allocation of interest expense to tax-exempt interest under Sections 265(b)(1) and (2) of the Code retroactive to the date of issuance of the Bonds.

7. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,

SAXTON & STUMP, LLC

_____, 2026

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APPENDIX C
Audited Financial Statement

UPPER DAUPHIN AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

LYKENS, PENNSYLVANIA

FOR THE YEAR ENDED JUNE 30, 2025

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A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM L. JONES, III, M.B.A., C.P.A.
RICHARD W. PITCAVAGE, C.P.A.
EDWIN H. EBLING, C.P.A.
JOHN W. PAULSHOCK, C.P.A.
ELI B. HOSTETTER, C.P.A.

110 North Second Street
Pottsville, Penna. 17901
Telephone: (570) 622-5010
Fax: (570) 622-3283
Email: jonescpa@comcast.net

Board of School Directors
Upper Dauphin Area School District
Lykens, Pennsylvania

Board of School Directors
Upper Dauphin Area School District
Lykens, Pennsylvania

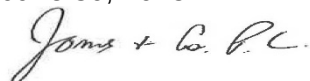
We have performed the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) of the Upper Dauphin Area School District for the year ended June 30, 2025. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

In accordance with the Uniform Guidance, the single audit reporting package and data collection form are to be submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after these reports are received from us or nine months after the end of the audit period. In certain instances, those submission deadlines may have been extended. You are responsible for submitting electronically the single audit reporting package and the data collection form to the Federal Audit Clearinghouse. We will provide a copy of this reporting package in the appropriate format for submission to the Federal Audit Clearinghouse. We will also coordinate our completion of the appropriate sections of the data collection form that summarize our audit findings and our certification of the submission with you.

The Single Audit was done to fulfill the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance). It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of the Schedule of Expenditures of Federal Awards and our opinion thereon; (3) a review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; (4) a review of the internal control structure made as a part of the audit of the federal financial assistance programs; (5) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (6) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

When filing the Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.

As part of our report, we have not enclosed a management letter for the fiscal year ended June 30, 2025.



February 20, 2026
Pottsville, Pennsylvania

UPPER DAUPHIN AREA SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

JUNE 30, 2025

1 Single Audit Report	Prothonotary Office Dauphin County Courthouse Harrisburg, PA
1 Certified Copy of Data Collection Form, Single Audit Clearing Package Checklist, FAC's Confirmation Email	Must be submitted Via Electronic Mail (E-mail) Commonwealth of Pennsylvania Office of the Budget - Bureau of Audits, Special Audit Services Division RA-BAFMSingleAudit@pa.us
1 Single Audit Report and Data Collection Form	Federal Audit Clearing House Via Internet Website www.fac.gov
1 Single Audit Report	Capital Area Intermediate Unit Harrisburg, PA

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EDWIN H. EBLING, C.P.A.
JOHN W. PAULSHOCK, C.P.A.
ELI B. HOSTETTER, C.P.A.

110 North Second Street
Pottsville, Penna. 17901
Telephone: (570) 622-5010
Fax: (570) 622-3283
Email: jonescpa@comcast.net

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Upper Dauphin Area School District
Lykens, 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 the Upper Dauphin Area School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Upper Dauphin Area 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 the Upper Dauphin Area 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 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 Upper Dauphin Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Dauphin Area 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 Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Upper Dauphin Area 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 the Upper Dauphin Area 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 information on pages 10-20 and the schedule of the District's proportionate share of the net pension liability, the schedule of the District's contributions, the District's proportionate share of the net OPEB-PSERS liability, the schedule of the District's contributions - OPEB-PSERS, the schedule of the District's proportionate share of the OPEB liability and the schedule of District contributions – OPEB on pages 75-80 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Dauphin Area School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and 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*, are presented for purpose of additional analysis and are not required part of the basic financial statements. Such information 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

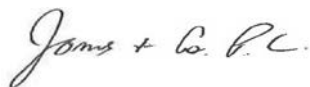
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2026, on our consideration of the Upper Dauphin Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Upper Dauphin Area School District's internal control over financial reporting and compliance.



February 20, 2026
Pottsville, Pennsylvania

JONES & CO.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM L. JONES, III, M.B.A., C.P.A.
RICHARD W. PITCAVAGE, C.P.A.
EDWIN H. EBLING, C.P.A.
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ELI B. HOSTETTER, C.P.A.

110 North Second Street
Pottsville, Penna. 17901
Telephone: (570) 622-5010
Fax: (570) 622-3283
Email: jonescpa@comcast.net

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

Board of School Directors
Upper Dauphin Area School District
Lykens, 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 the Upper Dauphin Area School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Upper Dauphin Area School District's basic financial statements, and have issued our report thereon dated February 20, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper Dauphin Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper Dauphin Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper Dauphin Area School District's internal control.

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

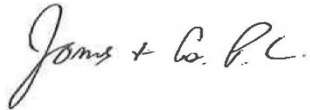
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. The significant deficiency is identified as finding 2025-1

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Jones + Co. P.C.".

February 20, 2026
Pottsville, Pennsylvania

JONES & CO.

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CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM L. JONES, III, M.B.A., C.P.A.
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Pottsville, Penna. 17901
Telephone: (570) 622-5010
Fax: (570) 622-3283
Email: jonescpa@comcast.net

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

Board of School Directors
Upper Dauphin Area School District
Lykens, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Upper Dauphin Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Upper Dauphin Area School District's major federal programs for the year ended June 30, 2025. The Upper Dauphin Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Upper Dauphin Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Upper Dauphin Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Upper Dauphin Area 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 the Upper Dauphin Area 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 the Upper Dauphin Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Upper Dauphin Area School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Upper Dauphin Area 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 the Upper Dauphin Area 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 the Upper Dauphin Area 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.

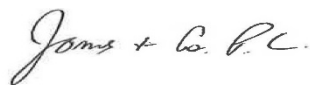
Report on Internal Control over Compliance

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.



February 20, 2026
Pottsville, Pennsylvania

**UPPER DAUPHIN AREA SCHOOL DISTRICT
LYKENS, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2025**

The discussion and analysis of Upper Dauphin Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

During the fiscal year 2024-2025, the Upper Dauphin Area School District experienced another year of increases in the costs for instruction, retirement benefits, and health benefits for our employees. However, in the budgeting process, the Board of School Directors was able to balance the budget with some decreases in certain areas and using a small amount from fund balance. In March of 2020, all Pennsylvania schools were shut down for in-person learning due to the COVID-19 pandemic. We have experienced an increase in expenses in cleaning supplies and technology related items. We received several grants to help cover these costs: ESSER II funding (\$1,869,704) AND ARP (ESSER III) funding (\$3,781,869). The expenditures of these grants must meet certain criteria as it relates to the COVID-19 pandemic.

USING THE ANNUAL FINANCIAL REPORT (AFR)

This annual report consists of two distinct series of financial statements: District-wide and Fund.

The first two statements (district-wide) are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements (Fund) focus on individual parts of the Districts operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of
Upper Dauphin Area School District's
Financial Report

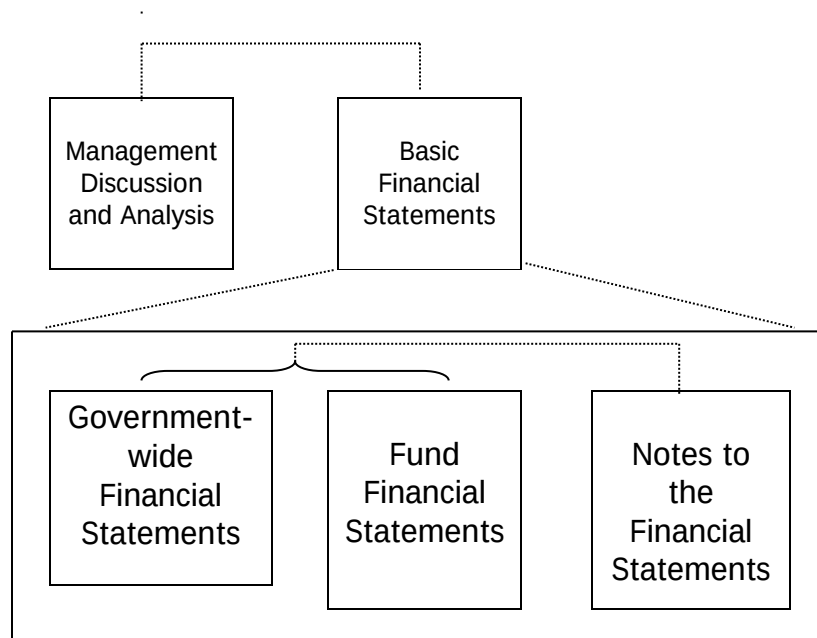


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Upper Dauphin Area School District's
Government-wide and Fund Financial Statements
Fund Statements

	Government- wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow- outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to staff students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They 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 District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship and agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: The District's combined net position decreased at June 30, 2025 when compared to the prior fiscal year by \$184,727. Total net position decreased from \$(3,868,652) to \$(3,683,925) on June 30, 2025. (See Table A-3).

Table A-3
Upper Dauphin Area School District
Net Position
Fiscal Years Ended June 30, 2025 and 2024

	<u>Governmental</u> <u>Activities</u> <u>2024</u>	<u>Governmental</u> <u>Activities</u> <u>2025</u>	<u>Business-type</u> <u>Activities</u> <u>2024</u>	<u>Business-type</u> <u>Activities</u> <u>2025</u>	<u>Total</u> <u>2024</u>	<u>Total</u> <u>2025</u>
Current and other assets	\$13,072,952	\$11,913,441	\$539,677	\$494,158	\$13,612,629	\$12,407,600
Capital assets	\$21,079,377	\$20,350,245	\$55,985	\$66,597	\$21,135,362	\$20,416,843
Deferred outflows Of resources	\$1,626,766	\$739,392	\$18,569	\$12,946	\$1,645,335	\$752,338
Total assets	<u>\$35,779,095</u>	<u>\$33,003,079</u>	<u>\$614,231</u>	<u>\$573,701</u>	<u>\$36,393,326</u>	<u>\$33,576,780</u>
Current liabilities	\$5,302,499	\$4,715,394	\$155,500	\$203,748	\$5,457,999	\$4,919,142
Long-term liabilities	<u>\$33,443,018</u>	<u>\$30,987,660</u>	<u>\$302,636</u>	<u>\$292,587</u>	<u>\$33,745,654</u>	<u>\$31,280,247</u>
Total Liabilities	<u>\$38,745,517</u>	<u>\$35,703,054</u>	<u>\$458,136</u>	<u>\$496,335</u>	<u>\$39,203,653</u>	<u>\$36,199,389</u>
Deferred inflows	<u>\$1,013,357</u>	<u>\$1,016,639</u>	<u>\$44,968</u>	<u>\$44,677</u>	<u>\$1,058,325</u>	<u>\$1,061,316</u>
Net Position						
Invested in capital assets, Net of related debt	\$14,913,142	\$14,289,394	\$55,985	\$66,597	\$14,969,127	\$14,355,991
Restricted for capital purchases	\$57,534	\$49,458	\$0	\$0	\$57,534	\$49,458
Unrestricted Total Net Position	<u>\$(18,950,455)</u>	<u>\$(18,055,466)</u>	<u>\$55,142</u>	<u>\$(33,908)</u>	<u>\$(18,895,313)</u>	<u>\$(18,089,374)</u>
	<u>\$(3,979,779)</u>	<u>\$(3,716,614)</u>	<u>\$111,127</u>	<u>\$32,689</u>	<u>\$(3,868,652)</u>	<u>\$(3,683,925)</u>
Total Net Position						
Total Liabilities and Net Position	<u>\$35,779,095</u>	<u>\$33,003,079</u>	<u>\$614,231</u>	<u>\$573,701</u>	<u>\$36,393,326</u>	<u>\$33,576,780</u>

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is comprised of designated and undesignated amounts. The designated balances are amounts set-aside to fund future purchases, retirement contributions, or capital projects as planned by the district. The unrestricted net position is a deficit as we are now required to report the PSERS pension liability as part of our financial reporting.

Table A-4
Upper Dauphin Area School District
Change in Net Position
For the Years Ended June 30, 2025 and 2024

	<u>Governmental</u> <u>Activities</u> <u>2024</u>	<u>Governmental</u> <u>Activities</u> <u>2025</u>	<u>Business-</u> <u>type</u> <u>Activities</u> <u>2024</u>	<u>Business-</u> <u>type</u> <u>Activities</u> <u>2025</u>	<u>Total</u> <u>2024</u>	<u>Total</u> <u>2025</u>
Revenues						
Program Revenues						
Charges for Services	\$0	\$0	\$229,067	\$209,751	\$229,067	\$209,751
Operating Grants & Contributions	6,847,059	7,580,443	567,562	502,371	7,414,621	8,082,814
General Revenues						
Property Taxes	7,034,735	7,373,227	0	0	7,034,735	7,373,227
Other Taxes	2,702,168	3,482,177	0	0	2,702,168	3,482,177
State Formula Aid	6,643,779	6,770,623	0	0	6,643,779	6,770,623
Investment Earnings	370,999	315,633	4,574	4,102	375,573	319,735
Other	711,345	889,992	0	0	711,345	889,992
Gain on sale of FA	0	(83,998)	0	0	0	(83,998)
Transfers	0	0	0	0	0	0
Total Revenues	\$24,310,085	\$26,328,097	\$801,203	\$716,224	\$25,111,288	\$27,044,321
Expenses						
Unallocated Depreciation	\$1,124,064	\$1,146,962	\$0	\$0	\$1,124,064	\$1,146,962
Instruction	15,548,762	17,109,890	0	0	15,548,762	17,109,890
Instructional Student Support	1,153,456	1,313,722	0	0	1,153,456	1,313,722
Administration	2,287,285	2,370,869	0	0	2,287,285	2,370,869
Operation & Maintenance of Facilities	1,745,452	1,990,549	0	0	1,745,452	1,990,549
Pupil Transportation	1,529,449	1,455,795	0	0	1,529,449	1,455,795
Student Activities	443,403	539,632	0	0	443,403	539,632
Scholarships	8,850	10,000	0	0	8,850	10,000
Interest on Long-Term Debt	154,542	127,513	0	0	154,542	127,513
Food Service	0	0	770,481	794,662	770,481	794,662
Total Expenses	\$23,995,263	\$26,064,932	\$770,481	\$794,662	\$24,765,744	\$26,859,594
Increase (decrease) In Net Position	\$314,822	\$263,165	\$30,722	\$(78,438)	\$345,544	\$184,727

Changes in net position. The District's total revenues were \$27,044,321 for the year ended June 30, 2025 (see Table A-4). Taxes and State Formula Aid made up 65.2% of total revenue for the year (see Table A-4). Another 29.9% came from State and Federal Aid for specific programs (Operating Grants and Contributions) and the remainder from Fees Charged for Services as well as Miscellaneous Sources.

The total cost of all programs and services was \$26,859,594. The District's costs related to educating and servicing students accounted for 76.02% (Instruction, Instructional Student Support, Pupil Transportation, Student Activities), Administrative Costs accounted for 8.83%, Operation of the District's Facilities accounted for 7.41%, Food Service Costs made up 2.96%, and all other expenses accounted for 4.78% (see Table A-4).

The cost of all District activities was \$26,859,594 (See Table A-5).

- Some of the cost was paid by the users of the District's programs \$209,751.
- Federal and state governments subsidized certain programs with grants and contributions \$8,082,814.
- Revenue of \$10,855,404 was paid by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with taxes and state aid based on the statewide education aid formula and with investment earnings and other general revenues.

Table A-5
Upper Dauphin Area School District
Net Cost of Governmental and Proprietary Fund Activities
For the Years Ended June 30, 2025 and 2024

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2024	2025	Change	2024	2025	Change
Unallocated Depreciation	1,124,064	1,146,962	2.04%	1,124,064	1,146,962	2.04%
Instruction	15,548,762	17,109,890	10.04%	10,303,442	11,552,291	12.12%
Instructional Student Support	1,153,456	1,313,722	13.89%	982,348	1,141,352	16.19%
Administration	2,287,285	2,370,869	3.65%	2,070,692	2,163,839	4.50%
Operation of Maintenance/Facilities	1,745,452	1,990,549	14.04%	1,637,682	1,861,318	13.66%
Pupil Transportation	1,529,449	1,455,795	(4.82)%	455,706	244,185	(46.24)%
Student Activities	443,403	539,632	21.70%	410,878	500,664	21.85%
Scholarship	8,850	10,000	12.99%	8,850	10,000	12.99%
Interest & Charges on Long-Term Debt	154,542	127,513	(17.49)%	154,542	(136,119)	(188.08)%
Food Service	770,481	794,662	3.14%	(26,148)	82,540	(415.66)%
Total Expenses	\$24,765,744	\$26,859,594	8.45%	\$17,122,056	\$18,567,029	8.44%

The results of this year's operations as a whole are reported in the Statement of Activities. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

THE DISTRICT FUNDS

At June 30, 2025, the District governmental funds reported a combined fund balance of \$6,688,159. The primary reasons for this are specific to three funds:

The District's fund balance of the General Fund is at \$6,688,159 as of June 30, 2025. The General Fund balance is comprised of \$2,001,146 which is unassigned, \$4,638,555 which is committed for increases to the districts retirement contribution and capital projects and \$49,458 which is restricted.

	Fund Balance 6/30/2024	Fund Balance 6/30/2025	Increase (Decrease)
General Fund	\$7,960,584	\$6,688,159	\$ (1,272,425)
Other Governmental Funds	0	0	0
Total	\$7,960,584	\$6,688,159	\$(1,272,425)

GENERAL FUND BUDGET

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process.

The following schedule provides a summary of General Fund revenues for the years ended June 30:

	2024	2025	Increase (Decrease)	% Change
Local Sources	\$11,084,712	\$11,530,870	\$446,158	4.02%
State Sources	11,983,457	13,266,337	1,282,880	10.71%
Federal Sources	1,507,380	1,084,729	(422,651)	(28.04)%
Total Revenue	\$24,575,549	\$25,881,936	1,306,387	5.32%

Total General Fund revenue increased by \$1,306,387 or 5.32% from the previous year. The increase is due to increased state funding.

The following schedule provides a summary of General Fund expenditures for the years ended June 30:

	2024	2025	Increase (Decrease)	% Change
Instruction	\$16,002,101	\$17,437,438	\$1,435,337	8.97%
Support Services	7,718,969	7,534,183	(184,786)	(2.39)%
Operation of Non-instructional Services	460,919	556,646	95,727	20.77%
Debt Service	1,117,479	1,131,425	13,946	1.25%
Scholarships	8,850	10,000	1,150	12.99%
Capital Outlay	1,056,320	400,671	(655,649)	(62.07)%
Total Expenditures	\$26,364,638	\$27,070,363	\$705,725	2.68%

Total General Fund expenditures increased \$705,725 or 2.68% from the previous year. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas when needed. This was not the case in the 2024-2025 school year.

The Budgetary Reserve includes amounts that will be funded by assigned fund balance for planned opportunities of expenditures for improvements/enhancements to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2024 and 2025 the District had \$21,079,377 and \$20,350,245 respectively invested in a broad range of capital assets, including land, buildings and furniture and equipment and bond issuance costs.

DEBT ADMINISTRATION

As of June 30, 2025 the District had total outstanding bond principal of \$5,130,000. This debt consists of two General Obligation Bond Issues and one General Obligation Bank Note.

Other obligations include \$384,587 for accrued vacation pay and sick leave for specific employees of the District. In addition the District has \$2,112,860 for accrued Other Post Employment Benefits. More detailed information about our long-term liabilities is included in the financial statements.

During the year ended June 30, 2025 the District, in conformity with GASB 68 recorded its' share of the Net PSERS pension liability. At June 30, 2025 the Districts' share of the liability is \$24,485,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's general obligation bond rating is a Moody's Aaa, A1 enhanced. The A1 enhanced rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

The local economy is primarily service and agricultural in nature. The District will continue to rely primarily upon state and local sources of revenue to finance operations.

The District expects its retirement contribution on behalf of its employees to the Pennsylvania School Employees Retirement System (PSERS) to increase in the future, but at a much slower rate than in previous years. The District expects health care premiums to increase approximately 8.0% per year for the foreseeable future. All of these factors may cause the Board to reduce programs, increase taxes, or both. The state mandate for local school districts to fund the tuition for cyber/charter students will increasingly have a negative impact on local resources. An increase in special education services needed to service our students will also negatively impact local resources.

Pennsylvania school districts must comply with the tax levy limits established by S.S. Act 1 of 2006. Districts are now limited in the amount of tax increase each year by a state index set by the Pennsylvania Department of Education. Once the index is reached, any further revenue needed will require voter approval at each May primary election. If a tax levy referendum is not approved by the voters, the Board of Directors will have to cut programs to balance the budget.

The percentage of the total budget of revenue and expenditure by category for 2024-2025 is as follows:

REVENUES

	2024-2025
Local	44.55%
State	51.26%
Federal/Other	4.19%

EXPENDITURES

	2024-2025
Instruction	64.42%
Support Services	27.83%
Non-Instruction/Community	2.06%
Scholarships	0.04%
Capital Outlay/Debt	5.55%

The percentage of the total budget of revenue and expenditure by category for 2025-2026 is as follows:

BUDGETED REVENUES

	2025-2026
Local	44.96%
State	55.54%
Federal/Other	2.5%

BUDGETED EXPENDITURES

	2025-2026
Instruction	66.13%
Support Services	19.42%
Non-Instruction/Community	2.3%
Facilities	8.4%
Fund Transfers/Debt	3.75%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Amie Savidge, Business Manager at Upper Dauphin Area School District, 5668 State Route 209, Lykens, PA 17048, 717-362-6547.

UPPER DAUPHIN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents - unrestricted	\$ 8,738,858	\$ 471,083	\$ 9,209,941
Cash and cash equivalents - restricted	36,958	0	36,958
Taxes receivable, net	1,876,838	0	1,876,838
Intergovernmental receivables	1,253,000	23,075	1,276,075
Inventories	0	0	0
Other current assets	7,788	0	7,788
TOTAL CURRENT ASSETS	11,913,442	494,158	12,407,600
NON-CURRENT ASSETS			
Land and site improvements-net of accumulated depreciation	1,741,075	0	1,741,075
Building and building improvements-net of accumulated depreciation	17,822,724	0	17,822,724
Leased Assets GASB 87-net of accumulated depreciation	0	0	0
Furniture and equipment-net of accumulated depreciation	270,916	66,597	337,513
Construction in progress	515,530	0	515,530
TOTAL NON-CURRENT ASSETS	20,350,245	66,597	20,416,842
TOTAL ASSETS	32,263,687	560,755	32,824,442
DEFERRED OUTFLOWS OF RESOURCES	739,392	12,946	752,338
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 33,003,079	\$ 573,701	\$ 33,576,780
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	\$ 655,876	\$ 16,175	\$ 672,051
Intergovernmental payables	838,741	0	838,741
Accrued salaries and benefits	1,380,047	11,964	1,392,011
Internal balances	(175,609)	175,609	0
Accrued expenses	1,102,890	0	1,102,890
Current portion of long-term debt	833,950	0	833,950
Current portion of compensated absences	40,000	0	40,000
Accrued interest	39,400	0	39,400
TOTAL CURRENT LIABILITIES	4,715,295	203,748	4,919,043
NON-CURRENT LIABILITIES			
General obligation bonds/notes payable	4,310,000	0	4,310,000
Leased Assets GASB 87 and Other Leases	27,900	0	27,900
Net PSERS pension liability	24,218,741	266,259	24,485,000
Long-term portion of compensated absences	336,129	8,457	344,586
Long-term portion of other postemployment benefits	2,094,989	17,871	2,112,860
TOTAL NON-CURRENT LIABILITIES	30,987,759	292,587	31,280,346
TOTAL LIABILITIES	35,703,054	496,335	36,199,389
DEFERRED INFLOWS OF RESOURCES	1,016,639	44,677	1,061,316
NET POSITION (DEFICIT)			
Invested in capital assets, net of related debt	15,178,394	66,597	15,244,991
Restricted	49,458	0	49,458
Unrestricted	(18,944,466)	(33,908)	(18,978,374)
TOTAL NET POSITION (DEFICIT)	(3,716,614)	32,689	(3,683,925)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	\$ 33,003,079	\$ 573,701	\$ 33,576,780

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Unallocated depreciation	\$ 1,146,962	\$ 0	\$ 0	\$ (1,146,962)	\$ 0	\$ (1,146,962)
Instruction	17,109,890	0	5,557,599	(11,552,291)	0	(11,552,291)
Instructional student support	1,313,722	0	172,370	(1,141,352)	0	(1,141,352)
Administrative and financial support services	2,370,869	0	207,030	(2,163,839)	0	(2,163,839)
Operation and maintenance of plant services	1,990,549	0	129,231	(1,861,318)	0	(1,861,318)
Pupil transportation	1,455,795	0	1,211,613	(244,182)	0	(244,182)
Student activities	539,632	0	38,968	(500,664)	0	(500,664)
Scholarships	10,000	0	0	(10,000)	0	(10,000)
Interest on long-term debt	127,513	0	263,632	136,119	0	136,119
TOTAL GOVERNMENTAL ACTIVITIES	<u>26,064,932</u>	<u>0</u>	<u>7,580,443</u>	<u>(18,484,489)</u>	<u>0</u>	<u>(18,484,489)</u>
BUSINESS-TYPE ACTIVITIES						
Food services	794,662	209,751	502,371	0	(82,540)	(82,540)
TOTAL PRIMARY GOVERNMENT	<u>26,859,594</u>	<u>209,751</u>	<u>8,082,814</u>	<u>(18,484,489)</u>	<u>(82,540)</u>	<u>(18,567,029)</u>
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Property taxes, levied for general purposes, net				7,373,227	0	7,373,227
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				3,482,177	0	3,482,177
Grants, subsidies, and contributions not restricted				6,770,623	0	6,770,623
Investment earnings				315,633	4,102	319,735
Miscellaneous				889,992	0	889,992
Gain (loss) on sale of assets				(83,998)	0	(83,998)
TOTAL GENERAL REVENUES AND TRANSFERS				<u>18,747,654</u>	<u>4,102</u>	<u>18,751,756</u>
CHANGE IN NET POSITION				263,165	(78,438)	184,727
NET POSITION (DEFICIT) - BEGINNING				<u>(3,979,779)</u>	<u>111,127</u>	<u>(3,868,652)</u>
NET POSITION (DEFICIT) - ENDING				<u>\$ (3,716,614)</u>	<u>\$ 32,689</u>	<u>\$ (3,683,925)</u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2026

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash - unrestricted	\$ 8,738,858	\$ 0	\$ 8,738,858
Cash - restricted	36,958	0	36,958
Taxes receivable, net	1,876,838	0	1,876,838
Intergovernmental receivables	1,253,000	0	1,253,000
Other receivables	279	0	279
Due from other funds	175,609	0	175,609
Other current assets	<u>7,510</u>	<u>0</u>	<u>7,510</u>
TOTAL ASSETS	12,089,052	0	12,089,052
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>12,089,052</u>	\$ <u>0</u>	\$ <u>12,089,052</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 655,877	\$ 0	\$ 655,877
Intergovernmental accounts payable	838,741	0	838,741
Accrued expenses	1,102,989	0	1,102,989
Due to other funds	0	0	0
Accrued salaries and benefits	<u>1,380,047</u>	<u>0</u>	<u>1,380,047</u>
TOTAL LIABILITIES	3,977,654	0	3,977,654
DEFERRED INFLOWS OF RESOURCES	1,423,239	0	1,423,239
FUND BALANCES			
Restricted fund balance	49,458	0	49,458
Committed fund balance	4,637,555	0	4,637,555
Unassigned fund balance	<u>2,001,146</u>	<u>0</u>	<u>2,001,146</u>
TOTAL FUND BALANCES	6,688,159	0	6,688,159
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>12,089,052</u>	\$ <u>0</u>	\$ <u>12,089,052</u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,688,159

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	50,877,452	
Less: accumulated depreciation	<u>(30,527,207)</u>	20,350,245

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and are not reported as liabilities in the funds.

Bond and notes payable	(5,171,850)	
Net PSERS pension liability	(24,218,741)	
Lease Assets GASB 87	0	
Other postemployment benefits	(2,094,889)	
Compensated absences	<u>(376,130)</u>	(31,861,610)

Delinquent personal and property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 1,423,239

Net Deferred PSERS Outflows (Inflows) pension/OPEB liability (277,247)

Governmental funds do not report a liability for accrued interest until due and payable. (39,400)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES **\$ (3,716,614)**

UPPER DAUPHIN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 11,530,870	\$ 0	\$ 11,530,870
State sources	13,266,337	0	13,266,337
Federal sources	<u>1,084,729</u>	<u>0</u>	<u>1,084,729</u>
TOTAL REVENUES	<u>25,881,936</u>	<u>0</u>	<u>25,881,936</u>
EXPENDITURES			
Instruction	17,437,438	0	17,437,438
Support services	7,534,183	0	7,534,183
Non-instructional services	556,646	0	556,646
Scholarships	10,000	0	10,000
Capital outlay	400,671	0	400,671
Debt service	<u>1,131,425</u>	<u>0</u>	<u>1,131,425</u>
TOTAL EXPENDITURES	<u>27,070,363</u>	<u>0</u>	<u>27,070,363</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,188,427)	0	(1,188,427)
OTHER FINANCING SOURCES (USES)			
Extraordinary loss - Sale of BT Project	<u>(83,998)</u>	<u>0</u>	<u>(83,998)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(83,998)</u>	<u>0</u>	<u>(83,998)</u>
NET CHANGE IN FUND BALANCES	(1,272,425)	0	(1,272,425)
FUND BALANCES - BEGINNING	<u>7,960,584</u>	<u>0</u>	<u>7,960,584</u>
FUND BALANCES - ENDING	<u>\$ 6,688,159</u>	<u>\$ 0</u>	<u>\$ 6,688,159</u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (1,272,425)
Because some property taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the government funds.	530,158
Accrual of other postemployment benefits are recorded in the Statement of Activities, but are not recognized in governmental funds.	(14,310)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,035,818
Pension income (expense) related to the PSERS net pension liability	685,988
Compensated absences reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	17,542
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	9,527
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	499,129
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(1,228,262)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>263,165</u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 10,555,027	\$ 10,555,027	\$ 11,530,870	\$ 975,843
State sources	12,247,361	12,247,361	13,266,337	1,018,976
Federal sources	883,830	883,830	1,084,729	200,899
TOTAL REVENUES	<u>23,686,218</u>	<u>23,686,218</u>	<u>25,881,936</u>	<u>2,195,718</u>
EXPENDITURES				
Regular programs	10,053,276	10,053,276	10,397,599	(344,323)
Special programs	4,879,800	4,879,800	5,609,724	(729,924)
Vocational programs	794,917	794,917	905,296	(110,379)
Other instructional programs	118,050	118,050	146,968	(28,918)
Non public school programs	21,000	21,000	4,190	16,810
Community/junior college programs	56,770	56,770	57,689	(919)
Pre-Kindergarten program	298,256	298,256	315,972	(17,716)
Pupil personnel services	680,931	680,931	903,296	(222,365)
Instructional staff services	393,387	393,387	396,029	(2,642)
Administrative services	1,398,297	1,398,297	1,401,988	(3,691)
Pupil health	248,448	248,448	257,933	(9,485)
Business services	352,870	352,870	359,995	(7,125)
Operation and maintenance of plant services	1,923,498	1,923,498	2,340,929	(417,431)
Student transportation services	862,000	862,000	1,455,795	(593,795)
Central and other support services	385,299	385,299	409,031	(23,732)
Other support services	0	0	9,187	(9,187)
Student activities	530,421	530,421	556,646	(26,225)
Scholarships	0	0	10,000	(10,000)
Capital outlay	0	0	400,671	(400,671)
Debt service	1,075,591	1,075,591	1,131,425	(55,834)
TOTAL EXPENDITURES	<u>24,072,811</u>	<u>24,072,811</u>	<u>27,070,363</u>	<u>(2,997,552)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(386,593)</u>	<u>(386,593)</u>	<u>(1,188,427)</u>	<u>(801,834)</u>
OTHER FINANCING SOURCES (USES)				
Extraordinary items - (losses)	<u>0</u>	<u>0</u>	<u>(83,998)</u>	<u>(83,998)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>(83,998)</u>	<u>(83,998)</u>
NET CHANGE IN FUND BALANCES	<u>(386,593)</u>	<u>(386,593)</u>	<u>(1,272,425)</u>	<u>(885,832)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>9,633,732</u>	<u>9,633,732</u>	<u>7,960,584</u>	<u>(1,673,148)</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,247,139</u>	<u>\$ 9,247,139</u>	<u>\$ 6,688,159</u>	<u>\$ (2,558,980)</u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Food Service</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash	\$ 471,083
Intergovernmental receivables	0
Inventories	<u>23,075</u>
TOTAL CURRENT ASSETS	<u>494,158</u>
NON-CURRENT ASSETS	
Machinery and equipment	529,046
Less: accumulated depreciation	<u>(462,449)</u>
TOTAL NON-CURRENT ASSETS	<u>66,597</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>12,946</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 573,701</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 16,175
Due to other funds	175,609
Accrued salaries and benefits	<u>11,964</u>
TOTAL CURRENT LIABILITIES	<u>203,748</u>
NON-CURRENT LIABILITIES	
Long-term portion of compensated absences	8,457
PSERS Pension liability	266,259
PSERS and District OPEB liability	<u>17,871</u>
TOTAL NON-CURRENT LIABILITIES	<u>292,587</u>
TOTAL LIABILITIES	<u>496,335</u>
DEFERRED INFLOWS OF RESOURCES	44,677
NET POSITION	
Invested in capital assets - net of related debt	66,597
Unrestricted	<u>(33,908)</u>
TOTAL NET POSITION	<u><u>32,689</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 573,701</u></u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT	
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	
PROPRIETARY FUNDS	
FOR THE YEAR ENDED JUNE 30, 2025	
	Food Service
OPERATING REVENUES	
Food service revenues	\$ 190,747
Other revenues	19,004
TOTAL OPERATING REVENUES	<u>209,751</u>
OPERATING EXPENSES	
Personal services - salaries	54,080
Personal services - employee benefits	79,458
Purchased property services	6,357
Other purchased services	291,966
Supplies	343,056
Depreciation	16,360
Other operating expenses	3,385
TOTAL OPERATING EXPENSES	<u>794,662</u>
OPERATING (LOSS)	(584,911)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	4,102
State sources	85,462
Federal sources	416,909
Interfund transfer	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>506,473</u>
CHANGE IN NET POSITION	(78,438)
NET POSITION - BEGINNING OF YEAR	<u>111,127</u>
NET POSITION - END OF YEAR	<u><u>\$ 32,689</u></u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and intergovernments	\$ 209,751
Cash paid to employees for services	(133,538)
Cash paid to suppliers	(562,445)
NET CASH (USED FOR) OPERATING ACTIVITIES	<u>(486,232)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	85,462
Federal sources	416,909
Operating transfers in (out)	0
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>502,371</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets for cash	(26,972)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>4,102</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,731)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>477,814</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 471,083</u></u>
OPERATING (LOSS)	\$ (584,911)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	16,360
Changes in current assets and current liabilities	
(Increase) Decrease in inventories	(7,977)
(Increase) Decrease in intergovernmental receivables	46,765
(Increase) Decrease in deferred outflows of resources	5,623
Increase (Decrease) in accounts payable	4,510
Increase (Decrease) in compensated absences	(905)
Increase (Decrease) in net PSERS net pension liability	(9,470)
Increase (Decrease) in PSERS and District OPEB net liability	326
Increase (Decrease) in advances to other funds	43,400
Increase (Decrease) in accrued salaries and benefits	338
Increase (Decrease) in deferred inflows of resources	(291)
TOTAL ADJUSTMENTS	<u>98,679</u>
TOTAL CASH (USED FOR) OPERATING ACTIVITIES	<u><u>\$ (486,232)</u></u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Private- Purpose Trust Funds	Custodial Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Cash	\$ 12,582	\$ 163,734
TOTAL ASSETS	<u>12,582</u>	<u>163,734</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,582</u>	<u>\$ 163,734</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 0	\$ 1,365
TOTAL LIABILITIES	<u>0</u>	<u>1,365</u>
DEFERRED INFLOWS OF RESOURCES	0	0
NET POSITION		
Restricted for:		
Individuals and other organizations	<u>12,582</u>	<u>162,369</u>
TOTAL NET POSITION	<u>12,582</u>	<u>162,369</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,582</u>	<u>\$ 163,734</u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Private Purpose Trust Fund	Custodial Funds
ADDITIONS		
Gifts and contributions	\$ 6,240	\$ 0
Investment interest earnings	148	287
Custodial funds receipts	<u>3,200</u>	<u>209,058</u>
TOTAL ADDITIONS	9,588	209,345
DEDUCTIONS		
Scholarships awarded	8,400	0
Custodial funds expenditures	<u>0</u>	<u>210,238</u>
TOTAL DEDUCTIONS	8,400	210,238
CHANGE IN NET POSITION	<u>1,188</u>	<u>(893)</u>
NET POSITION - BEGINNING OF YEAR	<u>11,394</u>	<u>163,262</u>
NET POSITION - END OF YEAR	\$ <u><u>12,582</u></u>	\$ <u><u>162,369</u></u>

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Upper Dauphin Area School District (the "District") is governed by the Upper Dauphin Area School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The financial statements of the Upper Dauphin Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments.

The financial statements include:

- Management's Discussion and Analysis (MD&A), providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on major funds.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

REPORTING ENTITY

The District is not a component unit of any other primary government.

BASIS OF PRESENTATION

District-wide statements - The statement of net position and the statement of activities provide information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the District and for each function of the District's governmental activities.

- Direct Expenses are those that are clearly identifiable with a specific program.
- Program revenues include 1) charges to students or recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.
- Taxes and other items not properly included among program revenues are reported as general revenues.

Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF PRESENTATION - continued

Fund Financial Statements - The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the District's cafeteria. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

The District reports the following major governmental funds:

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

The District reports the following major proprietary fund types:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

All business-type activities and enterprise funds of the district follow FASB Statements and Interpretations on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

BUDGETING

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

DEPOSITS AND INVESTMENTS

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

Investments with a maturity of one year or less at the time of purchase are recorded at cost or amortized cost. Those with a maturity of greater than one year are reported at fair value. Changes in the fair value of investments are recorded as investment income.

TAXES ASSESSED

The following is a listing of the taxes assessed along with their respective tax levy:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Tax Levy</u>
Real Estate - Dauphin County	19.9882 mills	\$ 7,520,614
Occupation Tax - Act 511	\$250.00/person	1,294,500
Per Capita Tax - Act 54	\$ 5.00/person	34,805
Per Capita Tax - Section 679	\$ 5.00/person	34,805
Total Assessed Valuation		<u><u>\$ 8,884,724</u></u>

The following is the tax calendar showing levy date, payment periods and delinquent dates for the above listed taxes:

Levy date	July 1
Discount (2%) payment period	July 1 to August 31
Face payment period	September 1 to October 31
Penalty (10%) payment period	November 1 to December 31
Delinquent date	December 31

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. An allowance has been established to recognize the uncollectible portion.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

INVENTORY

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the fund based financial statements, commodities received are recorded as deferred revenue until consumed.

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not Depreciated
Land Improvements	20 years
Buildings and Improvements	15-30 years
Furniture and Equipment	5-15 years
Vehicles	3-15 years

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

COMPENSATED ABSENCES

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences.

The rates which are utilized are as follows:

<u>Days Earned</u>	<u>Rate Per Day</u>
1-99	\$30.00
100-199	\$40.00
200 and up	\$50.00

If an employee separates from service for reasons other than sickness or retirement, no payout is required. If an employee retires with unused compensated absences, the payout policy is as follows:

Emergency and personal - no payout.

Vacation (administrative personnel) - limited accumulation of vacation days.

Sickness - payout is based on age and years of service in the District.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In government-wide financial statements as well as proprietary fund financial statements, all accrued liabilities and long-term debt are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed in the period incurred.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received 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 debt service expenditures.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

ACCOUNTING STANDARDS ADOPTED IN YEAR ENDED JUNE 30, 2025

GASB Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after July 1, 2024.

The primary objective of GASB Statement No. 101 is to improve the recognition, measurement, and disclosure of compensated absences, such as vacation and sick leave, that are provided to employees in exchange for services rendered. The standard aims to enhance consistency, comparability, and transparency in reporting these liabilities across governments. Under GASB 101, governments are required to recognize a liability for compensated absences when the leave is earned if (1) the leave is attributable to services already rendered, (2) it accumulates and can be carried forward for use in future periods, and (3) it is more likely than not to be used for time off or otherwise paid to the employee. The District evaluated all applicable leave types in accordance with the new standard and determined that the implementation did not result in a material adjustment to beginning net position or fund balance. Accordingly, no restatement was required. The adoption of GASB Statement No. 101 did not otherwise materially affect the District's financial statements for the year ended June 30, 2025.

NET POSITION

Net position represents the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

During the year ended June 30, 2018, the District adopted the provisions of GASB Statement No. 74, "*Financial Reporting for Postemployment Benefits Plan other than Pension Plan*" and GASB Statement No. 75, "*Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions.*" This statement provides the accounting and reporting requirements for the benefit plans as well as require that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. For the purpose of the financial statements, GASB Statement No. 75 requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. Accordingly, the District's net OPEB obligation for 2020 was reported on the statement of net assets.

NOTE 2 - DEPOSITS AND INVESTMENTS:

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. At June 30, 2025, the carrying amount of the District's deposits was \$9,423,215. and the bank balance was \$9,943,058. Of the bank balance \$827,891. was covered by federal depository insurance, \$9,115,167. was exposed to custodial credit risk because it was uninsured or the collateral was held by the depository's agent but was not in the District's name. The District's deposits are collateralized under PA Act 72.

INVESTMENTS

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds. As of June 30, 2025, the District had no investments.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

INVESTMENTS - continued

Investments classified as U.S. agencies are securities of agencies of the U.S. government that have an implied but not explicit guarantee.

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1. per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. The District had no deposits in any of the funds at June 30, 2025.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year.

Custodial Credit Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2025, PSDLAF, PLGIT, INVEST, FHLBs, FHLMCs, and FNMA were rated as AAA by a nationally recognized statistical rating organization.

Concentration Risk

The District does not have a policy that would limit the amount it may invest in any one issuer.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - CAPITAL ASSETS:

A summary of capital asset activity during the fiscal year follows:

	Balance June 30, 2024	Net Additions (Deductions)	Balance June 30, 2025
Governmental Activities:			
Capital Assets, Being Depreciated:			
Land and Site Improvements	\$ 2,876,360	\$ 0	\$ 2,876,360
Buildings and Improvements	42,534,662	473,392	43,008,054
Leased Assets GASB 87	160,883	0	160,883
Furniture, Equipment, and Vehicles	4,290,888	25,737	4,316,625
Total Capital Assets, Being Depreciated	<u>49,862,793</u>	<u>499,129</u>	<u>50,361,922</u>
Accumulated Depreciation For:			
Land and Site Improvements	(1,095,335)	(39,950)	(1,135,285)
Buildings and Improvements	(24,107,530)	(1,077,800)	(25,185,330)
Leased Assets GASB 87	(120,662)	(40,221)	(160,883)
Furniture, Equipment, and Vehicles	(3,975,419)	(70,290)	(4,045,709)
Total Accumulated Depreciation	<u>(29,298,946)</u>	<u>(1,228,261)</u>	<u>(30,527,207)</u>
Capital Assets Not Being Depreciated			
Construction in Progress	<u>515,530</u>	<u>0</u>	<u>515,530</u>
Governmental Activities - Capital Assets, Net	<u><u>\$ 21,079,377</u></u>	<u><u>\$ (729,132)</u></u>	<u><u>\$ 20,350,245</u></u>
Business-type Activities:			
Furniture/Equipment	\$ 502,074	\$ 26,972	\$ 529,046
Less: Accumulated Depreciation	<u>(446,089)</u>	<u>(16,360)</u>	<u>(462,449)</u>
Business-type Activities - Capital Assets, Net	<u><u>\$ 55,985</u></u>	<u><u>\$ 10,612</u></u>	<u><u>\$ 66,597</u></u>

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

Unallocated - District Owned Assets	\$ 1,106,742
Unallocated - GASB 87 Leased Assets	40,221
Instruction	17,796
Support Services	63,503
Total Depreciation Expense - Governmental Funds	<u><u>\$ 1,228,262</u></u>
Total Depreciation Expense - Cafeteria Fund	<u><u>\$ 16,360</u></u>

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - CHANGES IN LONG-TERM DEBT:

A summary of the changes in long-term debt follows:

	Compensated Absences	GASB 87 and Other Leases	Net PSERS Pension Liability	General Obligation Bonds/Notes	Other Post Employment Benefits	Total
Balance - July 1, 2024	\$ 403,035	\$ 97,234	\$ 26,113,000	\$ 6,069,000	\$ 2,097,769	\$ 34,780,038
Additions/Accretions	(18,449)	0	0	0	36,091	17,642
Principal Reductions	0	(55,384)	(1,628,000)	(939,000)	(21,000)	(2,643,384)
Balance - June 30, 2025	<u>\$ 384,586</u>	<u>\$ 41,850</u>	<u>\$ 24,485,000</u>	<u>\$ 5,130,000</u>	<u>\$ 2,112,860</u>	<u>\$ 32,154,296</u>
Due Within One Year	<u>\$ 40,000</u>	<u>\$ 13,950</u>	<u>\$ 0</u>	<u>\$ 820,000</u>	<u>\$ 0</u>	<u>\$ 873,950</u>

General Obligation Bonds/Notes at June 30, 2025, consists of the following:

SERIES OF 2015

On July 7, 2015, the District issued \$5,197,000 in a General Obligation Note, Series of 2015. The proceeds of the issue were utilized to pay issuance costs and advance refund the General Obligation Bond Series A of 2010. The note bears interest at a fixed rate of 2.18%. The Note matures in various amounts beginning March 1, 2016 thru September 1, 2024. This bond issue was fully paid during the current Year.

\$ 0.

SERIES OF 2020

On April 16, 2019, the District issued \$5,330,000 in a General Obligation Bonds, Series of 2019. The proceeds of the issue were utilized to pay issuance costs and provide funds to construct and purchase energy performance upgrades to various School District buildings. The bonds bear interest rates ranging from 2.00% thru 3.00%. The Bonds mature in various amounts beginning September 1, 2020 thru September 1, 2030.

\$5,130,000.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - CHANGES IN LONG-TERM DEBT – continued:

LEASES – GASB 87 and CAPITAL

Leases – GASB 87 is comprised of the following agreement:

JGF FUNDING LLC

On July 1, 2021, the District entered into an Operating lease with JGF Funding LLC which is subject to recording under GASB 87. The initial recorded lease asset/liability was \$160,883. for the usage of printers and copiers. Terms require 48 monthly payments of \$3,490.37 thru June 2025. This lease was satisfied during the current year.

\$ 0

Leases – Capital is comprised of the following agreement:

APPLE FINANCIAL SERVICES

On June 30, 2024, the District entered into a Capital lease with Apple Financial Services. The initial recorded lease asset/liability was \$55,800. for computer equipment. Terms require 4 annual payments of \$13,950.00 thru June 2027. The lease has no interest assessed.

\$ 41,850

A summary of General Long-Term Debt principal maturities and interest requirements follows:

Year Ending June 30,	Annual Amounts
2026	\$ 952,150
2027	955,025
2028	956,425
2029	942,350
2030	938,400
2031	842,450
Total	5,586,800
Less: Interest Expense	(414,950)
Outstanding Principal	\$ 5,171,850

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - CHANGES IN LONG-TERM DEBT – continued:

OTHER POSTEMPLOYMENT BENEFITS

Long-Term Debt includes \$2,112,860. of liabilities which represent other benefits provided upon termination of employment. The reader should consult separate footnotes 11 and 13 on these benefits for more information.

COMPENSATED ABSENCES

General Long-Term Debt includes a liability of \$ 384,586., which represents the amounts of compensated absences computed by using unused sick and vacation days as defined in Note 1.

NET PSERS PENSION LIABILITY:

During the year ended June 30, 2024, the District, in conformity with GASB 68, recorded its share of the Net PSERS pension liability. At June 30, 2025, the District's share of the liability is \$24,485,000. See Note 12 for more information.

NOTE 5 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

For purposes of unemployment compensation laws, the District has elected not to be covered by the Pennsylvania Unemployment Compensation Fund. Any unemployment claims are paid by the District on a quarterly basis as incurred.

The District is a member of a group of school districts who have joined together to self-insure their hospitalization and medical benefits for their employees. Monthly contributions are paid to the plan based on formulas, and stop-loss insurance is maintained by the plan to help ensure against any large catastrophes. Historical information is maintained by the plan administrator.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

The District is contingently liable for repayment of its prorated share of a bond issue outstanding which was incurred by the Harrisburg Area Community College. Annual debt service on these bonds is provided for by the Harrisburg Area Community College.

During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2025, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund balances (which arose as a result of regular transactions) at June 30, 2025, consisted of the following individual fund receivables and payables.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 175,809	\$ 0
Cafeteria Fund	<u>0</u>	<u>175,809</u>
Total All Funds	<u><u>\$ 175,809</u></u>	<u><u>\$ 175,809</u></u>

During the current year no interfund transfers were made.

NOTE 8 - RELATED ORGANIZATIONS:

Not included in the School District's financial statements are any Parent-Teacher Associations (PTA), Parent-Teacher Organizations (PTO) and athletic and band booster clubs. These agencies provide services to students and employees of the School District, but are separate legal entities having sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the School District. The School District does not account for these entities as component units or joint ventures; it does not maintain an ongoing financial interest or have responsibility for these entities.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - GASB STATEMENT NO. 54:

On June 15, 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB-54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent. Established classifications are as follows:

Nonexpendable – Amounts that cannot be spend because they are either in a nonspendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.

Committed – Amounts constrained to be used for a specific purpose determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority).

Assigned – Amounts intended to be used for a specific purpose by the finance committee or an individual authorized by the governing body.

Unassigned – Residual amounts available for any purpose not contained in other classifications.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - GASB STATEMENT NO. 54 - continued

ORDER OF FUND BALANCE SPENDING POLICY

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting entries.

First, non-spendable fund balances are determined. Then, restricted fund balances for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the non-general fund.

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

	General	Total Governmental Funds
EQUITY		
Nonspendable	\$ 0	\$ 0
Restricted	49,458	49,458
Assigned	0	0
Committed for:		
PSERS	1,414,140	1,414,140
Capital Projects	3,223,415	3,223,415
Unassigned	2,001,146	2,001,146
TOTAL FUND BALANCE	\$ 6,688,159	\$ 6,688,159

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 – HARRIS TRANSPORTATION FINDING \$551,528.

PA DEPARTMENT OF AUDITOR GENERAL PERFORMANCE AUDIT:

In a previous year, the District discovered what it believed to be irregularities in the transportation invoices received from the District's transportation contracted service provider, Harris Transportation Corp. (The Company). In the District's opinion, it believed it was overcharged for transportation services as computed under state formula provided by the contractor. During November 2014, the Company and its former vice-president pleaded guilty to mail fraud before the U.S. Middle District Federal Court. Under a plea agreement, the Company will pay \$425,000 in restitution (in addition to \$338,000 which has already previously been refunded to the Upper Dauphin Area School District). During the year ended June 30, 2015, the District received \$130,190.71 in restitution.

During June 2013, the PA Department of the Auditor General completed a performance audit of the District for the school years 2009-2010 and 2010-2011. As a result of the audit, the Department found pupil transportation errors that resulted in overpayments of transportation reimbursements from the Pa Department of Education in the amount of \$250,771 (2009-2010), \$300,757 (2010-2011) for a total of \$551,528. The District had provided its response and corrective action plan to the Auditor General. On December 1, 2014, the PA Department of Education (PDE) issued a letter to the District indicating it would be deducting the above amount from the District's December subsidy payment. Based on a discussion with PDE, the December 1, 2014 subsidy deduction was delayed and is presently held in abeyance pending further review, reconciliation of the differences in amounts owed, and allocation of restitution from the criminal proceedings among all agencies involved. As the District has received restitution, the District has accrued the PDE amount of \$551,528 in order to match the restitution received versus the liability asserted. During the current year the District received no inquiries from PDE in regard to repayment of this amount. As such the District awaits a determination from PDE in regard to the ultimate amount to be finally repaid (if any) to PDE.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT:

PLAN DESCRIPTION

The Upper Dauphin Area School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

FUNDING POLICY

The contribution requirements of plan members and the District are established and may be amended by the School Board, subject to applicable labor contracts and benefit plans. Plan members are required to pay \$100. per month towards the premium for medical, drugs, dental, and vision. The District pays the remaining premium for the member and remaining premium for member and spouse for those under Act 93 Agreement. The District also pays the full premium for life insurance in varying amounts. The length of benefits coverage ranges from five years or from date of retirement to age 65.

For 2025, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$36,091. for 2025. These costs are recognized as an expense when claims or premiums are paid.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT-continued

Plan Membership

Inactive plan member or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>155</u>
	<u>161</u>

Components of the net OPEB liability

Total OPEB liability	\$ 1,069,860
Plan fiduciary net position	<u>0</u>
Net OPEB Liability	<u>\$ 1,069,860</u>

Plan fiduciary net position of the total OPEB liability 0.00%

Sensitivity of the Net OPEB liability to changes in the discount rate

	1.00% Decrease <u>3.29%</u>	Current Discount Rate <u>4.29%</u>	1.00% Increase <u>5.29%</u>
Net OPEB liability (asset)	\$ 1,151,369	\$ 1,069,860	\$ 992,203

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

	1% Decrease 4.29% decreasing to <u>3.29%</u>	Current Healthcare Cost Trend Rate <u>4.29%</u>	1 % Increase 4.29% increasing to <u>5.29%</u>
Net OPEB liability (asset)	\$ 953,024	\$ 1,069,860	\$ 1,207,201

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - DISTRICT-continued

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2023 actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 10% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 20 years.

For the year ended June 30, 2025, the District recognized OPEB expense of \$48,360. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Totals	\$ <u>151,335</u>	\$ <u>(406,392)</u>

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - DISTRICT-continued

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

Year Ending June 30,	Estimated Amount
2026	\$ (35,031)
2027	(35,031)
2028	(35,031)
2029	(35,031)
2030	(35,032)
Thereafter	(79,901)
Total Net Deferred Outflows/ (Inflows) of Resources	\$ (255,057)

NOTE 12 – PENSION:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PENSIONS

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

General Information about the Pension Plan

PLAN DESCRIPTION

PSERS is a governmental cost-sharing, multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System 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 than can be obtained at www.psers.state.pa.us.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – PENSION – continued

BENEFITS PROVIDED

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

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

Benefits are generally equal to 1% 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% 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.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – PENSION – continued

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

CONTRIBUTIONS

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contributed at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elected Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions:

The school 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 \$3,151,534. for the year ended June 30, 2025.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – PENSION – continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2025, the District reported a liability of \$24,485,000. 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 the System's total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District proportion was .0587%, which was a change of (.0001%) from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$3,151,534. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ (385,000)
Changes in Assumptions	0	0
Net Difference Between Projected and Actual Investment Earnings	405,000	0
Changes in Proportion	115,000	(65,000)
Difference Between Employer Contributions and Proportionate Share of Total Contributions	0	0
Contributions Subsequent to the Measurement Date	0	0
	<u>\$ 520,000</u>	<u>\$ (450,000)</u>

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – PENSION – continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – continued

\$520,000. 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 in the 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:

Year Ended June 30,	
2025	\$ (566,000)
2026	622,000
2027	86,000
2028	<u>(72,000)</u>
Total Deferred Outflows/ (Inflows) of Resources	\$ <u>70,000</u>

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%
- Salary Growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023 and June 30, 2024.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – continued

ACTUARIAL ASSUMPTIONS

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	30.0%	4.8%
Private equity	12.0%	6.7%
Fixed income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure/MLPs	10.0%	6.4%
Real Estate	9.50%	5.9%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.,

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued

DISCOUNT RATE

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

SENSITIVITY OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 32,254,000	\$ 24,485,000	\$ 17,925,000

PENSION PLAN FIDUCIARY NET POSITION

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

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS)**

1. Summary of Significant Accounting Policies

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) 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 health insurance through either their school employer or the PSERS’ Health Options Program. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System 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.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

For Class D members to become eligible for premium assistance. They must satisfy the following criteria:

Maintain 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.

Pension 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 the System 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.psers.pa.gov.

Benefits provided

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

Employer Contributions:

The school district’s contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$37,000 for the year ended June 30, 2025.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

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

At June 30, 2025, the District reported a liability of \$1,043,000. for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2023 to June 30, 2024. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District’s proportion was .0587% percent, which was a (.0001%) change from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized OPEB expense of \$37,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,000	\$ (16,000)
Changes in assumptions	64,000	(159,000)
Net difference between projected and actual investment earnings	1,000	(12,000)
Changes in proportion	12,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurment date	0	0
Total All Funds	\$ <u>81,000</u>	\$ <u>(187,000)</u>

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

**2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of
Resources and Deferred Inflows of Resources Related to
OPEB - continued**

\$81,000. reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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:

Year Ending June 30,	Estimated Amount
2025	\$ (31,000)
2026	(33,000)
2027	(34,000)
2028	(6,000)
2029	(2,000)
Thereafter	0
Total Deferred Outflows/ Inflows of Resources	\$ <u>(106,000)</u>

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (PSERS) - continued

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2024, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, Valuation date June 30, 2024:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.13% - 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 reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality 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.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefitting under the plan as of June 30, 2021 was used in lieu 63% utilization assumption for eligible Retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience And projected using a modified version of the MP-2015 Mortality Improvement Scale.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (PSERS) - continued

3. Actuarial Assumptions – continued

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for 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.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	1.7%

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.21%. Under the plan'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 OPEB plan'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 OPEB liability.

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (PSERS) - continued

3. Actuarial Assumptions – continued

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2024 92,149 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 System net OPEB liability for June 30, 2024, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

Dollar Amounts in Thousands			
	1% Decrease 3.21%	Current Trend Rate 4.21%	1% Increase 5.21%
System net OPEB liability	\$ 1,178,000	\$ 1,043,000	\$ 930,000

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

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

	1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
District's proportionate share of the net OPEB liability	\$ 1,043,000	\$ 1,043,000	\$ 1,043,000

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (PSERS) - continued

3. Actuarial Assumptions – continued

OPEB plan fiduciary net position

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

NOTE 14 – SOLAR PROJECT AGREEMENTS:

On April 1, 2024, the District entered into two agreements with UDSD Solar LLC in regard to a solar project between the District and the LLC. Under the terms of the 1st thirty year agreement, the District will lease a 2 acre tract of land to the LLC with a lease fee of \$1.00 who will construct and own a solar system which is anticipated to supply 100% of the power needs of the Loyaltown Campus of the District which includes the Middle and Elementary Schools and the District office. The LLC will be responsible for all costs of repairs and maintenance and required system upgrades. Under terms of the 2nd thirty year agreement, the District will purchase 100% of the power generated by the System at an initial one year rate of \$0.0754 per kwh which will increase by 2.00% each year. At the end of the thirty year agreements, the LLC must remove the system and restore the property to its original state. No activity on the agreements occurred in the current year.

NOTE 15 - SUBSEQUENT EVENTS:

The District has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2025 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 20, 2026, the date these financial statements were available to be issued.

APPROVAL OF HVAC CONSTRUCTION CONTRACT

At their November 25, 2025 meeting, the board of school directors approved a contract with the Heim Company not to exceed \$1,550,200 for the HVAC renovation of the classroom wing in the Elementary/Middle School.

OTHER SUPPLEMENTAL INFORMATION

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unqualified opinion on the financial statements of the Upper Dauphin Area School District.
2. One significant deficiency relating to the audit of the financial statements is reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Upper Dauphin Area School District which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Upper Dauphin Area School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the Upper Dauphin Area School District that are to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were as follows:

Program	CFDA #
National School Lunch	10.555
Commodities	10.555
School Breakfast	10.553
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund III	84.425U
American Rescue Plan 7% Set Asides:	
Learning Loss	84.425U
After School	84.425U

8. The threshold for distinguishing types A and B Programs was \$750,000 and all programs were considered Type B.
9. The Upper Dauphin Area School District was determined not to be a low-risk auditee.

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE YEAR ENDED JUNE 30, 2025

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

VIOLATIONS OF LAWS AND REGULATIONS

2024-1 Preparation of the Financial Statements

Condition: During our audit, as in our previous audits, we noted that employees or management lack the qualifications and training to apply generally accepted accounting principles (GAAP) in recording transactions or preparing financial statements.

Criteria: Internal controls should be in place that provide assurance that financial statements are prepared in accordance with GAAP.

Effect: Accounting transactions and required notes to the financial statements may not comply with GAAP.

Recommendation: This significant control deficiency could be resolved by employing an individual with the qualifications to apply GAAP in recording transactions and preparing financial statements, however, this may be impractical based on the size and structure of the District. Statement on Auditing Standards No. 112 requires significant deficiencies in internal control reported in prior years that still exist to be reported in subsequent years.

Management Response: As noted in our previous audits, the Upper Dauphin Area School District recognizes the recommendation but believes that existing experience of current employees coupled with ongoing financial controls and procedures mitigate the likelihood that material misstatements would occur without detection.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

UPPER DAUPHIN AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

FINDINGS - FINANCIAL STATEMENTS AUDIT

VIOLATIONS OF LAWS AND REGULATIONS

**2012-1/2013-3/2014-4/2015-1/2016-1/2017-1/2018-1/2019-1/2020-1/2021-01/ 2022-01/
2023-01 Preparation of the Financial Statements**

Condition: During our prior audits, we noted that employees or management lack the qualifications and training to apply generally accepted accounting principles (GAAP) in recording transactions or preparing financial statements.

Criteria: Internal controls should be in place that provides assurance that financial statements are prepared in accordance with GAAP.

Effect: Accounting transactions and required notes to the financial statements may not comply with GAAP.

Recommendation: This significant control deficiency could be resolved by employing an individual with the qualifications to apply GAAP in recording transactions and preparing financial statements; however, this may be impractical based on the size and structure of the District. Statement on Auditing Standards No. 112 requires significant deficiencies in internal control reported in prior years that still exist to be reported in subsequent years.

Management Response: The Upper Dauphin Area School District recognizes the recommendation but believes that existing experience of current employees coupled with ongoing financial controls and procedures mitigate the likelihood that material misstatements would occur without detection.

Current Status: During the current year audit, we noted the situation has not changed and, therefore, the finding is not cleared and has been listed as a current year finding.

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal Cluster Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2025	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION												
Passed Through State Department of Education:												
E.S.E.A. Title I - 2024-2025	(I)		84.010	013-250449	\$ 471,743	7-1-24 / 9-30-25	\$ 472,291	\$ 0	\$ 471,743	\$ 471,743	\$ (548)	\$ 0
E.S.E.A. Title I - 2023-2024	(I)		84.010	013-240449	477,818	7-1-23 / 9-30-24	1,835	0	1,835	1,835	0	0
E.S.E.A. Title II Improving Teacher Quality - 2024-2025	(I)		84.367	020-250449	61,257	7-1-24 / 9-30-25	52,482	0	61,257	61,257	8,775	0
E.S.E.A. Title II Improving Teacher Quality - 2023-2024	(I)		84.367	020-240449	56,000	7-1-23 / 9-30-24	8,390	8,390	0	0	0	0
Vocational Education - Basic Grants to States - 2024-2025	(I)		84.048	380-250047	29,819	7-1-24 / 9-30-25	29,819	0	29,819	29,819	0	0
Vocational Education - Basic Grants to States - 2023-2024	(I)		84.048	380-240016	29,692	7-1-23 / 9-30-24	0	(169)	169	169	0	0
Title IV Student Support and Academic Enrichment 2024-2025	(I)		84.424	144-250449	35,983	7-1-24 / 9-30-25	21,590	0	35,983	35,983	14,393	0
Title IV Student Support and Academic Enrichment 2023-2024	(I)		84.424	144-240449	37,734	7-1-23 / 9-30-24	2,695	2,695	0	0	0	0
ARP-Elementary and Secondary School Emergency Relief Fund III - 2020-2024	(I) / (CV)		84.425U	223-210449	3,781,869	3-14-20 / 9-30-24	206,284	(248,062)	454,346	454,346	0	0
ARP - 7% - Learning Loss Set Aside	(I) / (CV)		84.425U	225-210449	209,954	3-13-20 / 9-30-24	11,450	(2,079)	13,529	13,529	0	0
ARP - 7% - After School Set Aside	(I) / (CV)		84.425U	225-210449	41,991	3-13-20 / 9-30-24	2,235	(6,209)	8,444	8,444	0	0
ARP - 7% - Summer School Set Aside	(I) / (CV)		84.425U	225-210449	41,991	3-13-20 / 9-30-24	2,290	2,290	0	0	0	0
Passed Through Capital Area I.U.:												
IDEA Part B - 2024-2022	(I)	(SE)	84.027	H027A 240093	183,338	7-1-24 / 6-30-25	0	0	183,338	183,338	183,338	0
IDEA Part B - 2023-2024	(I)	(SE)	84.027	H027A230093	180,324	7-1-23 / 6-30-24	180,324	180,324	0	0	0	0
IDEA Section 619 - 2023-2024	(I)	(SE)	84.173	H173A230090	1,888	7-1-23 / 6-30-24	1,888	1,888	0	0	0	0
IDEA Section 619 - 20242-2025	(I)	(SE)	84.173	H173A240090	660	7-1-24 / 6-30-25	0	0	660	660	660	0
TOTAL DEPARTMENT OF EDUCATION					5,642,061		993,573	(60,932)	1,261,123	1,261,123	206,618	0
U.S. DEPARTMENT OF THE TREASURY												
Passed Through State Commission on Crime and Delinquency												
Coronavirus State and Local Fiscal Recovery Funds	(I) / (CV)		21.027	42796	113,624	1-1-24 / 12-31-25	0	0	0	0	0	0
TOTAL DEPARTMENT OF THE TREASURY					113,624		0	0	0	0	0	0
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES												
Passed Through State Department of Human Services:												
Medical Assistance - Access Administration - 2024/2025	(I)	(MD)	93.778	NONE	7,605	7-1-24 / 6-30-25	6,699	0	7,605	7,605	906	0
Medical Assistance - Access Administration - 2023/2024	(I)	(MD)	93.778	NONE	1,289	7-1-23 / 6-30-24	784	784	0	0	0	0
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES					8,894		7,483	784	7,605	7,605	906	0
U.S. DEPARTMENT OF AGRICULTURE												
Passed Through State Department of Education:												
National School Lunch - 2023-2024	(I)	(CN)	10.555	115-22-9003	300,540	7-1-23 / 6-30-24	29,120	29,120	0	0	0	0
National School Lunch - 2023-2024	(S)		N/A	115-22-9003	15,171	7-1-23 / 6-30-24	1,423	1,423	0	0	0	0
Regular/Needy Breakfast - 2023-2024	(I)	(CN)	10.553	115-22-9003	103,121	7-1-23 / 6-30-24	10,485	10,485	0	0	0	0
Regular/Needy Breakfast - 2023-2024	(S)		N/A	115-22-9003	5,682	7-1-23 / 6-30-24	569	569	0	0	0	0
State Breakfast Initiative - 2022-2023	(S)		N/A	115-22-9003	53,191	7-1-23 / 6-30-24	5,167	5,167	0	0	0	0
National School Lunch - 2024-2025	(I)	(CN)	10.555	115-22-9003	281,845	7-1-24 / 6-30-25	281,845	0	281,845	281,845	0	0
National School Lunch - 2024-2025	(S)		N/A	115-22-9003	14,024	7-1-24 / 6-30-25	14,024	0	14,024	14,024	0	0
Regular/Needy Breakfast - 2024-2025	(I)	(CN)	10.553	115-22-9003	93,292	7-1-24 / 6-30-25	93,292	0	93,292	93,292	0	0
Regular/Needy Breakfast - 2024-2025	(S)		N/A	115-22-9003	5,166	7-1-24 / 6-30-25	5,166	0	5,166	5,166	0	0
State Breakfast Initiative - 2024-2025	(S)		N/A	115-22-9003	54,930	7-1-24 / 6-30-25	54,930	0	54,930	54,930	0	0
Passed Through State Department of Agriculture:												
National School Lunch - Value of USDA Commodities	(I)	(CN)	10.555	2-06-22-202	42,004	7-1-24 / 6-30-25 (A)	42,004 (B)	(5,196)	41,772	41,772 (D)	(5,428) (A)	0
TOTAL DEPARTMENT OF AGRICULTURE					968,966		538,025	41,568	491,029	491,029	(5,428)	0
SUB-TOTAL					6,733,545		1,539,081	(18,580)	1,759,757	1,759,757	202,096	0
STATE AWARD EXPENDITURES					148,164		81,279	7,159	74,120	74,120	0	0
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 6,585,381		\$ 1,457,802	\$ (25,739)	\$ 1,685,637	\$ 1,685,637	\$ 202,096	\$ 0

Source Code Legend:

(D) Indicates direct federal financial assistance funding.
(I) Indicates indirect federal financial assistance funding.
(S) Indicates State matching funding.
(CV) Indicates Coronavirus Funding

Other Code Legend:

(A) Indicates value of USDA commodities received in current year.
(B) Indicates beginning inventory value of USDA commodities.
(C) Indicates value of USDA commodities used in current year.
(D) Indicates ending inventory value of USDA commodities.

Federal Cluster Code Legend:

(SE) Indicates Special Education Cluster
(CN) Indicates Child Nutrition Cluster
(MD) Indicates Medicaid Cluster

UPPER DAUPHIN AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

NOTE 2 - COMMODITIES:

The beginning and ending deferred income figures listed represent the beginning and ending commodities inventories in the Cafeteria Fund. These commodities are received through the State from the U.S. Department of Agriculture. The commodities are valued at amounts assigned to the various items by the U.S. Department of Agriculture when the commodities are offered.

NOTE 3 - INDIRECT COSTS:

The District did not charge any indirect costs to any of the federal grants and programs during this fiscal year. Consequently, the District did not use the 10% de-minimis cost rate.

NOTE 4 - CLUSTER PROGRAMS:

The following CFDA's have been deemed a cluster of programs by the Office of Management and Budget and, therefore, are treated as one program in determining the major programs to be audited.

Child Nutrition Cluster		Special Education Cluster (IDEA)	
CFDA #	Expenditures	CFDA #	Expenditures
10.553	\$ 103,121	84.027	\$ 180,324
10.555	378,627	84.173	1,888
Total	\$ 481,748	Total	\$ 182,212

Medicaid Cluster CFDA# 93.778 Expenditures \$1,289.



Upper Dauphin Area School District

5668 State Route 209, Lykens, Pennsylvania 17048-8414

Phone: 717-362-8134 Fax: 717-362-3050



Jared W. Shade
Superintendent
717-362-8134
shadej@udasd.org

Amie Savidge
Business Manager
& Board Secretary
717-362-6547
savidgea@udasd.org

Heather Haupt
Special Education &
Student Services Director
717-362-6573
haupt@udasd.org

Nicole Czaplicki
Elementary School Principal
717-362-4511
czaplickin@udasd.org

Emily Wevodau
Middle School Principal
717-362-8177
wevodaue@udasd.org

Abbey Walshaw-Wertz
High School Principal
717-362-8181
walshawwertza@udasd.org

FISCAL YEAR ENDED JUNE 30, 2025 – FINANCIAL STATEMENT

AUDIT FINDING - CORRECTIVE ACTION PLAN

FINANCIAL STATEMENT FINDING:

Finding 2025-1 Preparation of the Financial Statements

Condition: During the current and prior years, the auditors noted that District employees and management lack the qualifications and training to apply generally accepted accounting principles (GAAP) in recording transactions or preparing financial statements. Internal controls should be in place that provide assurance that financial statements are prepared in accordance with GAAP. As such, accounting transactions and required notes to the financial statements may not comply with GAAP.

Recommendation: This significant control deficiency could be resolved by employing an individual with the qualifications to apply GAAP in recording transactions and preparing financial statements, however, this may be impractical based on the financial constraints, and the relative size and structure of the District's internal accounting staff.

Management Response: As noted in our previous audits, the Upper Dauphin Area School District recognizes the recommendation but believes that existing experience of current employees coupled with ongoing financial controls and procedures mitigate the likelihood that material misstatements in the financial statements would occur without detection. The District also receives auditor assistance in GAAP reporting issues and takes responsibility for the financial statements which are prepared.

Name and Title of Contact Person Responsible for Corrective Action:

Amie Savidge, District Business Manager

REQUIRED
SUPPLEMENTAL INFORMATION

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	0.5850%	0.5870%	0.5870%	0.5770%	0.5770%	0.5890%	0.5980%	0.0590%	0.0609%	0.0610%
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	\$ 24,485,000	\$ 26,113,000	\$ 26,097,000	\$ 23,690,000	\$ 28,411,000	\$ 27,555,000	\$ 28,707,000	\$ 29,139,000	\$ 30,180,000	\$ 26,423,000
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 9,315,226	\$ 9,015,293	\$ 8,645,954	\$ 8,186,987	\$ 8,096,846	\$ 8,120,698	\$ 8,052,428	\$ 7,853,227	\$ 7,893,615	\$ 7,849,263
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	262.85%	289.65%	301.84%	289.36%	350.89%	339.32%	356.50%	371.04%	382.33%	336.63%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	64.63%	61.34%	61.34%	63.67%	54.32%	55.56%	54.00%	51.84%	50.14%	54.40%

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 2,387,000	\$ 3,074,717	\$ 2,926,420	\$ 2,743,975	\$ 2,908,000	\$ 2,956,000	\$ 2,820,000	\$ 2,257,000	\$ 1,937,000	\$ 1,575,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>(2,387,000)</u>	<u>(3,074,717)</u>	<u>(2,926,420)</u>	<u>(2,743,975)</u>	<u>(2,908,000)</u>	<u>(2,956,000)</u>	<u>(2,820,000)</u>	<u>(2,257,000)</u>	<u>(1,937,000)</u>	<u>(1,575,000)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 9,315,226	\$ 9,015,293	\$ 8,645,954	\$ 8,186,987	\$ 8,096,846	\$ 8,120,698	\$ 8,052,428	\$ 7,853,227	\$ 7,893,615	\$ 7,849,263
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	25.62%	34.11%	33.85%	33.52%	35.92%	36.40%	35.02%	28.74%	24.54%	20.07%

See notes to financial statements
which are an integral part of this statement.

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB- PSERS LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
DISTRICT'S PROPORTION OF THE NET OPEB- PSERS LIABILITY (ASSET)									
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET)	\$ 1,043,000	\$ 1,064,000	\$ 1,082,000	\$ 1,369,000	\$ 1,247,000	\$ 1,253,000	\$ 1,247,000	\$ 1,202,000	\$ 1,312,000
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 9,315,226	\$ 9,015,293	\$ 8,645,954	\$ 8,186,987	\$ 8,096,846	\$ 8,120,698	\$ 8,052,428	\$ 7,853,227	\$ 7,890,954
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	11.1967%	11.8022%	12.5145%	16.7217%	15.4011%	15.4297%	15.4860%	15.3058%	16.6266%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB - PSERS LIABILITY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB PSERS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 37,000	\$ 31,000	\$ 32,000	\$ 82,000	\$ 64,000	\$ 61,000	\$ 58,000	\$ 65,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>37,000</u>	<u>31,000</u>	<u>32,000</u>	<u>82,000</u>	<u>64,000</u>	<u>61,000</u>	<u>58,000</u>	<u>65,000</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 9,315,226	\$ 9,015,293	\$ 8,645,954	\$ 8,186,987	\$ 8,096,846	\$ 8,120,698	\$ 8,052,428	\$ 7,853,227
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	0.40%	0.34%	0.37%	1.00%	0.79%	0.75%	0.72%	0.83%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE DISTRICT NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)									
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	\$ 1,069,800	\$ 1,033,769	\$ 991,278	\$ 1,245,022	\$ 1,351,509	\$ 1,146,593	\$ 1,205,940	\$ 1,175,908	\$ 1,143,050
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 8,645,786	\$ 8,645,786	\$ 7,963,579	\$ 7,963,579	\$ 7,806,600	\$ 8,120,698	\$ 8,250,428	\$ 7,800,306	\$ 7,800,306
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	12.37%	11.96%	12.45%	15.63%	17.31%	14.12%	14.62%	15.08%	14.65%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

UPPER DAUPHIN AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - DISTRICT OPEB
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CONTRIBUTION DEFICIENCY (EXCESS)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 8,645,786	\$ 8,645,786	\$ 7,963,579	\$ 7,963,579	\$ 7,806,600	\$ 8,120,698	\$ 8,250,428	\$ 7,800,306
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

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APPENDIX D
Continuing Disclosure Agreement

DRAFT

UPPER DAUPHIN AREA SCHOOL DISTRICT DAUPHIN COUNTY, PENNSYLVANIA

**\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2026
DATED, ISSUED AND DELIVERED _____, 2026**

CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$ _____ General Obligation Bonds, Series of 2026 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of Upper Dauphin Area School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

Section 1. Undertaking to file current information with MSRB. The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2026:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

b. An update of the following information in the Official Statement for the Bonds dated _____:

- (i) Upper Dauphin Area School District Tax Rates (Table 6) - (may be contained within the budget or audit for the current fiscal year without need for further cross reference);
- (ii) Upper Dauphin Area School District Real Property Assessment Data (Table 8) - (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(iii) Upper Dauphin Area School District Real Property Tax Collection Data (Table 11) - (may be contained within the budget or audit for the current fiscal year without need for further cross reference); and

(iv) Upper Dauphin Area School District Ten Largest Real Property Taxpayers, 2025-26 (Table 12) - (may be contained within the budget or audit for the current fiscal year without need for further cross reference)

Any or all of the items listed above may also be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 2. Modification of types of information and format of information permitted. The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

Section 3. Time period within which annual information must be filed. The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2026. Such information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

Section 4. Notice of failure to comply with annual information updates. The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

Section 5. Event disclosure. The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;

- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of any credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, IRS notices or material events affecting the tax status
of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the Bonds, if
material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the School District
(which is considered to occur when any of the following occur: appointment of a receiver, fiscal
agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in
any other proceeding under state or federal law in which a court or governmental authority has
assumed jurisdiction over substantially all of the assets or business of the School District, or if such
jurisdiction has been assumed by leaving the existing governing body and officials or officers in
possession but subject to the supervision and orders of a court or governmental authority, or the
entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or
governmental authority having supervision or jurisdiction over substantially all of the assets or
business of the School District);
- m. Merger, consolidation or acquisition involving the School District, if
material; or
- n. Appointment of successor or additional trustee or the change of name of a
trustee, if material.
- o. Incurrence of a financial obligation of the School District, if material, or
agreement to covenants, events of default, remedies, priority rights, or other similar terms of a
financial obligation of the School District, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or
other similar events under the terms of the financial obligation of the School District, any of which
reflect financial difficulties.

For purposes of this Section, the term financial obligation shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 6. Termination of reporting obligation. The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

Section 7. Enforcement. The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

Section 8. Amendment; waiver. Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

UPPER DAUPHIN AREA SCHOOL DISTRICT

By: _____
(Vice) President

Attest: _____
Secretary

(SEAL)

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APPENDIX E
Specimen Municipal Bond Insurance Policy