

**LAMPETER-STRASBURG SCHOOL DISTRICT**

Lampeter, Pennsylvania 17537

**BOARD WORKSHOP MEETING AGENDA**

October 18, 2021

**FOR BOARD WORKSHOP ACTION**

**BUSINESS AND FINANCE COMMITTEE**

**1. PRESENTATION OF 2020-2021 FINANCIAL STATEMENTS AND AUDIT**

BBD, LLP, will present audit information for the 2020-2021 financial statements, as posted.

**MISCELLANEOUS**

**2. DISCUSSION OF PSBA PRINCIPLES FOR GOVERNANCE AND LEADERSHIP**

Dr. Peart will lead a discussion of PSBA Principles for Governance and Leadership, as posted.



**Lampeter-Strasburg  
School District  
Lampeter, Pennsylvania  
Lancaster County**

Financial Statements  
Year Ended June 30, 2021

Draft - 10/12/21 - Subject to Change



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Philadelphia, PA 19103

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# LAMPETER-STRASBURG SCHOOL DISTRICT

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# LAMPETER-STRASBURG SCHOOL DISTRICT

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Daft - 10/12/21 - Subject to Change



## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Lampeter-Strasburg School District  
Lampeter, Pennsylvania**

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 Lampeter-Strasburg School District, Lampeter, Pennsylvania as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Lampeter-Strasburg School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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 Lampeter-Strasburg School District, Lampeter, Pennsylvania as of June 30, 2021, 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.

### ***Other Matters***

#### **Change in Accounting Principle**

As described in Note 16 to the financial statements, Lampeter-Strasburg School District adopted new accounting guidance, GASB Statement No. 84, "Fiduciary Activities". Our opinions are not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited Lampeter-Strasburg School District's 2020 financial statements, and our report dated October 19, 2020 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions – PSERS on pages 3 through 13 and 52 through 57 be presented to supplement the basic financial statements. Such information, 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.

## **Other Information**

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

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2021, on our consideration of Lampeter-Strasburg 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 Lampeter-Strasburg School District's internal control over financial reporting and compliance.

**Philadelphia, Pennsylvania**  
**, 2021**

# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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Management's discussion and analysis ("**MD&A**") of the financial performance of the Lampeter-Strasburg School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### DISTRICT PROFILE

The District consists of two elementary schools, a middle school and a high school consisting of approximately 3,000 students. The District covers 36.2 square miles southeast of the City of Lancaster and is comprised of the Townships of Strasburg and West Lampeter, the Borough of Strasburg and the Annex of Lancaster City. During 2020-2021, there were 436 employees in the District, consisting of 219 teachers, 13 administrators, including general administration, principals, and supervisors, and 204 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff, food service staff, technology staff, school monitors and staff nurses.

The District is committed to providing, in an accountable partnership with the parents and the community, opportunities for each learner to acquire the knowledge, skills and values to become a responsible, productive citizen.

### FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$29,950,646. During the 2020-2021 fiscal year, the District had an increase in total net position of \$3,047,131. The net position of governmental activities increased by \$2,750,685 and the net position of the business-type activities increased by \$296,446.
- The General Fund reported an increase of fund balance of \$218,784, bringing the cumulative balance to \$9,590,186 at the conclusion of the 2020-2021 fiscal year.
- At June 30, 2021, the General Fund fund balance includes \$54,856 which is considered nonspendable, \$1,111,500 assigned to retirement rate stabilization, \$48,000 assigned to technology initiatives, \$171,710 assigned for property tax assessment appeals, and an unassigned amount of \$8,204,120 or 14.41% of the \$56,943,696 General Fund expenditure budget for 2021-2022.
- Total General Fund revenues were \$2,244,534 more than budgeted amounts and total General Fund expenditures and other financing uses were \$970,194 less than budgeted amounts resulting in a net positive variance of \$3,214,728.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

### **Governmental Activities**

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

### **Business-Type Activities**

The District charges fees to cover the costs of its food services and after-school child care programs.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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



# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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The District maintains three individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

### **Proprietary Funds**

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund and School Age Child Care Fund are reported as enterprise funds of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its internal service fund to account for the District's self-funded healthcare program. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

### **Fiduciary Funds**

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 23 and 24 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 51 of this report.

### **Other Information**

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

The required supplementary information can be found on Pages 52 through 57 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2020-2021 fiscal year the District's liabilities and deferred inflows of resources assets exceeded assets and deferred outflows of resources by \$29,950,646. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2021 and 2020.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current assets	\$ 30,108,463	\$ 21,720,027	\$ 110,415	\$ 257,689	\$ 30,218,878	\$ 21,977,716
Noncurrent assets	43,659,798	46,142,087	172,841	145,937	43,832,639	46,288,024
<b>Total assets</b>	<u>73,768,261</u>	<u>67,862,114</u>	<u>283,256</u>	<u>403,626</u>	<u>74,051,517</u>	<u>68,265,740</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred charges – pension	11,464,203	9,281,955	381,718	366,647	11,845,921	9,648,602
Deferred charges – OPEB	1,174,142	1,403,521	70,165	59,252	1,244,307	1,462,773
Deferred amounts on debt refunding	5,092	33,645	-	-	5,092	33,645
<b>Total deferred outflows</b>	<u>12,643,437</u>	<u>10,719,121</u>	<u>451,883</u>	<u>425,899</u>	<u>13,095,320</u>	<u>11,145,020</u>
<b>LIABILITIES</b>						
Current liabilities	7,266,588	7,005,785	100,098	123,409	7,366,686	7,129,194
Noncurrent liabilities	102,740,026	98,095,397	2,940,644	3,295,562	105,680,670	101,390,959
<b>Total liabilities</b>	<u>110,006,614</u>	<u>105,101,182</u>	<u>3,040,742</u>	<u>3,418,971</u>	<u>113,047,356</u>	<u>108,520,153</u>
<b>DEFERRED INFLOWS</b>						
Deferred credits – pension	3,714,631	3,558,736	123,684	140,573	3,838,315	3,699,309
Deferred credits – OPEB	199,867	181,416	11,945	7,659	211,812	189,075
<b>Total deferred outflows</b>	<u>3,914,498</u>	<u>3,740,152</u>	<u>135,629</u>	<u>148,232</u>	<u>4,050,127</u>	<u>3,888,384</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	27,814,890	32,709,253	172,841	145,937	27,987,731	32,855,190
Restricted	2,303,928	2,990,221	-	-	2,303,928	2,990,221
Unrestricted (deficit)	(57,628,232)	(65,959,573)	(2,614,073)	(2,883,615)	(60,242,305)	(68,843,188)
<b>Total net position (deficit)</b>	<u>\$ (27,509,414)</u>	<u>\$ (30,260,099)</u>	<u>\$ (2,441,232)</u>	<u>\$ (2,737,678)</u>	<u>\$ (29,950,646)</u>	<u>\$ (32,997,777)</u>

The District's total assets as of June 30, 2021 were \$74,051,517 of which \$25,898,394 or 34.97%, consisted of cash and investments and \$43,832,639 or 59.19%, consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2021 were \$113,047,356 of which \$15,850,000 or 14.02% consisted of general obligation debt used to acquire and construct capital assets and \$79,767,206 or 70.56%, consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$60,242,305 at June 30, 2021. The District's unrestricted net position increased by \$8,600,883 during 2020-2021 primarily due to the results of current year operations net of the change in the District's actuarially determined net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$2,303,928 as of June 30, 2021. Most of the District's restricted net position is related to amounts restricted for capital expenditures. A small portion, \$17,565, is restricted for student activities at the elementary schools.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2021, the District's net investment in capital assets decreased by \$4,867,459 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The following table presents condensed information for the *Statement of Activities* of the District for 2021 and 2020:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 201,327	\$ 267,100	\$ 533,616	\$ 939,646	\$ 734,943	\$ 1,206,746
Operating grants and contributions	9,636,079	8,793,287	1,285,899	628,521	10,921,978	9,421,808
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues</b>						
Property taxes levied for general purposes	37,188,016	36,825,916	-	-	37,188,016	36,825,916
Other taxes levied for general purposes	3,978,751	3,742,172	-	-	3,978,751	3,742,172
Grants and entitlements not restricted to specific programs	4,823,966	4,883,747	-	-	4,823,966	4,883,747
Investment earnings	(183,384)	399,011	133	4,173	(183,251)	403,184
Gain (loss) on disposal of capital assets	3,303	(835)	-	-	3,303	(835)
<b>Total revenues</b>	<u>55,648,058</u>	<u>54,910,398</u>	<u>1,819,648</u>	<u>1,572,340</u>	<u>57,467,706</u>	<u>56,482,738</u>
<b>EXPENSES</b>						
Instruction	35,588,943	34,167,195	-	-	35,588,943	34,167,195
Instructional student support services	3,840,922	3,758,224	-	-	3,840,922	3,758,224
Administrative and financial support services	5,297,659	5,411,109	-	-	5,297,659	5,411,109
Operation and maintenance of plant services	4,718,738	3,955,614	-	-	4,718,738	3,955,614
Pupil transportation	1,766,932	1,754,370	-	-	1,766,932	1,754,370
Student activities	1,429,833	1,730,808	-	-	1,429,833	1,730,808
Community services	6,000	6,000	-	-	6,000	6,000
Interest and amortization expense related to non-current liabilities	197,829	390,651	-	-	197,829	390,651
Food service	-	-	1,322,219	1,523,058	1,322,219	1,523,058
Child care	-	-	251,500	498,822	251,500	498,822
<b>Total expenses</b>	<u>52,846,856</u>	<u>51,173,971</u>	<u>1,573,719</u>	<u>2,021,880</u>	<u>54,420,575</u>	<u>53,195,851</u>
<b>Change in net position (deficit) before transfers</b>	2,801,202	3,736,427	245,929	(449,540)	3,047,131	3,286,887
Transfers	(50,517)	(255,738)	50,517	255,738	-	-
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>\$ 2,750,685</u>	<u>\$ 3,480,689</u>	<u>\$ 296,446</u>	<u>\$ (193,802)</u>	<u>\$ 3,047,131</u>	<u>\$ 3,286,887</u>

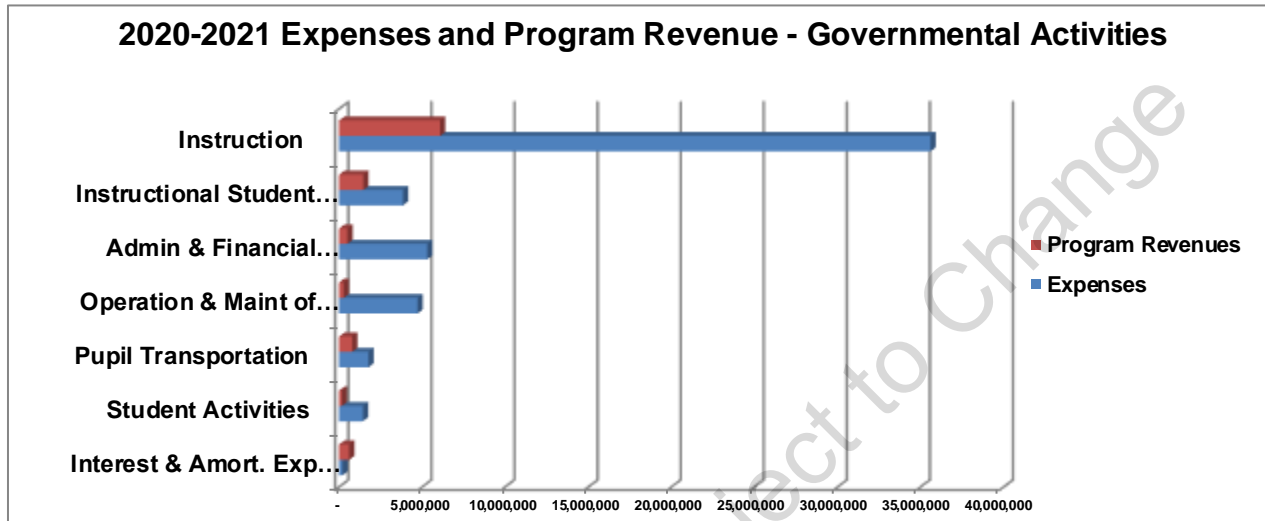
During 2020-2021, the District's net position increased by \$3,047,131 in part due to savings in salaries, medical and other benefit costs, utilities and freezes implemented in March 2020 due to COVID -19 for building, department and manager allocations. Future pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A significant portion of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

## LAMPETER-STRASBURG SCHOOL DISTRICT

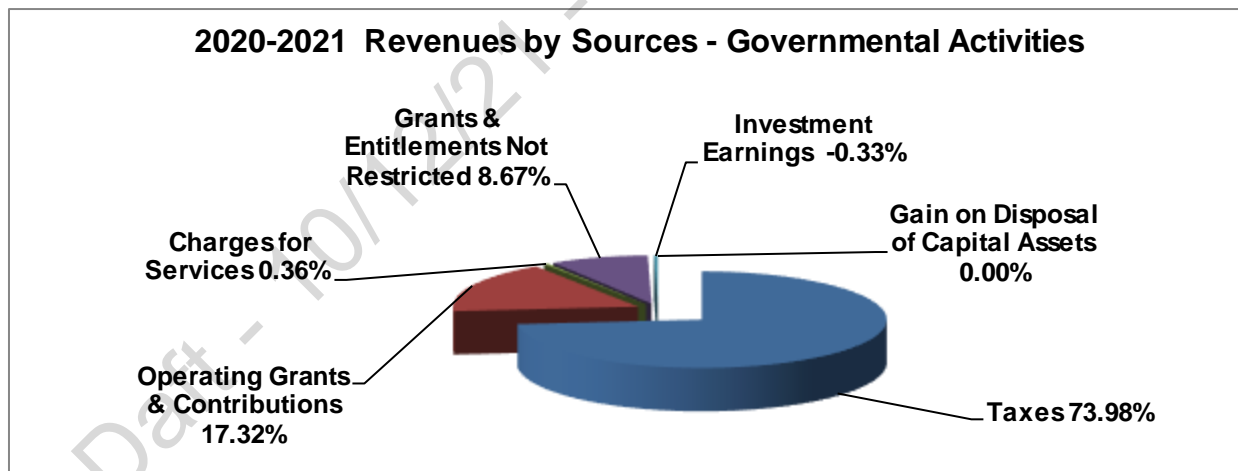
### MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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



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



### GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$21,045,478 which is an increase of \$8,683,855 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

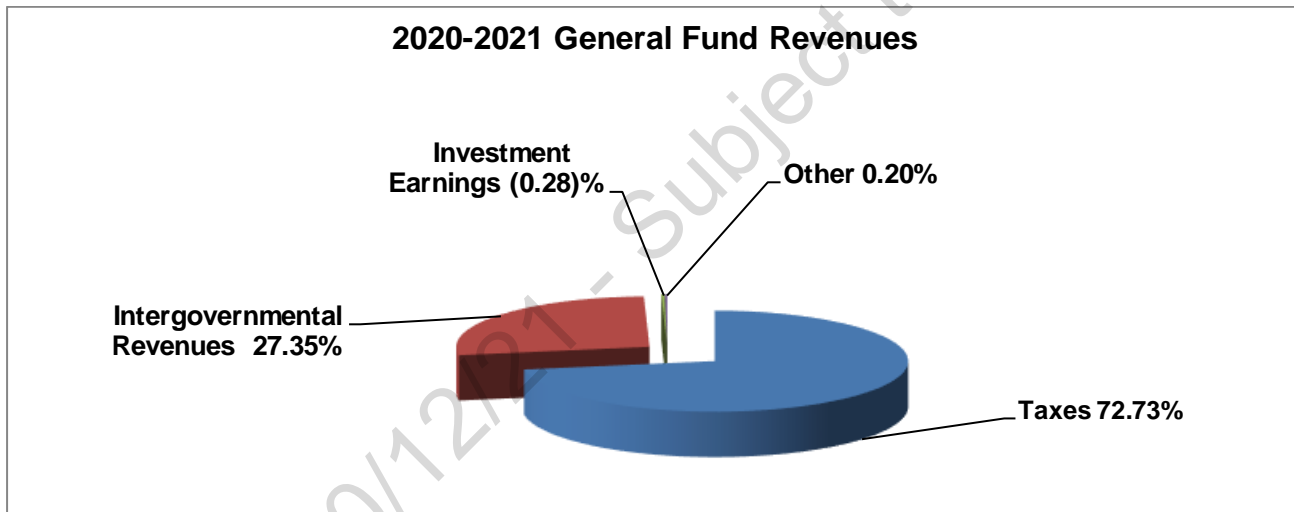
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>Change</u>
General Fund	\$ 9,590,186	\$ 9,371,402	\$ 218,784
Capital Projects Fund	11,437,727	2,974,382	8,463,345
Public Purpose Trust Fund	<u>17,565</u>	<u>15,839</u>	<u>1,726</u>
	<u>\$21,045,478</u>	<u>\$12,361,623</u>	<u>\$8,683,855</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$9,590,186 representing an increase of \$218,784 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 72.73% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$40,552,720	\$39,890,652	\$ 662,068	1.66
Intergovernmental revenues	15,251,359	14,429,417	821,942	5.70
Investment earnings (losses)	(155,371)	328,059	(483,430)	(147.36)
Other	<u>109,416</u>	<u>171,310</u>	<u>(61,894)</u>	<u>(36.13)</u>
	<u>\$55,758,124</u>	<u>\$54,819,438</u>	<u>\$ 938,686</u>	<u>1.71</u>

Net tax revenues increased by \$662,068 or 1.66%, despite no millage increase in 2020-2021. An increase in property assessment, as well as continued growth of earned income tax and real estate sales accounted for the current year increase in tax revenue. The following table summarizes the changes in the District's tax revenues for 2021 compared to 2020:

# LAMPETER-STRASBURG SCHOOL DISTRICT

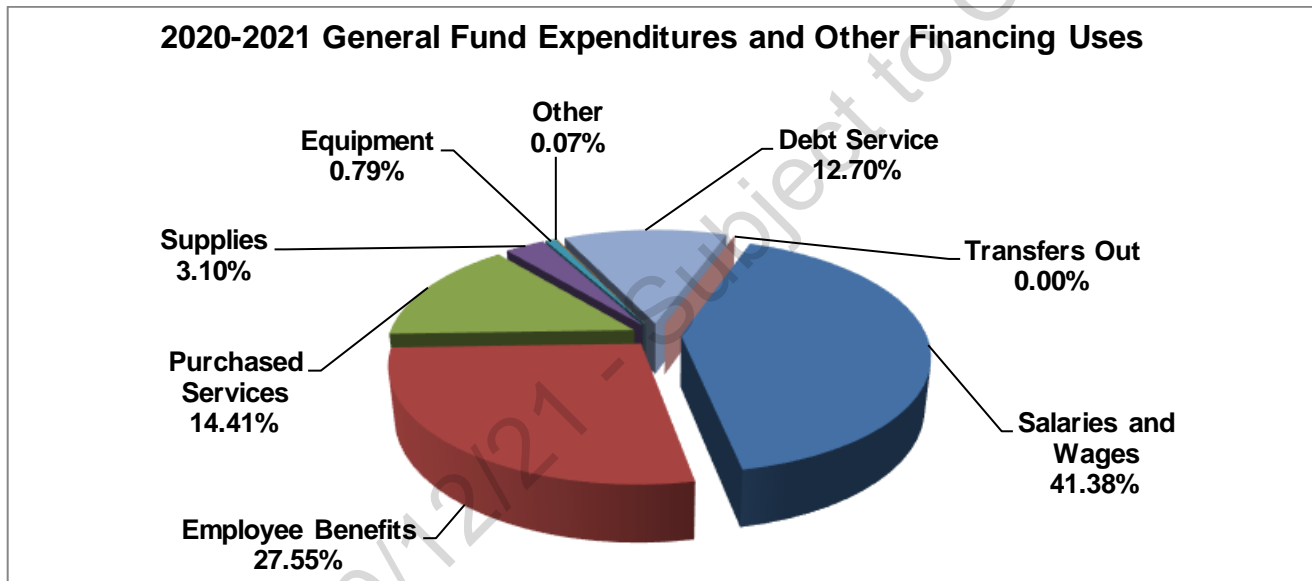
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$35,640,363	\$35,451,516	\$188,847	0.53
Interim tax	218,987	212,303	6,684	3.15
PURTA tax	38,286	35,039	3,247	9.27
Earned income tax	3,391,064	3,216,108	174,956	5.44
Transfer tax	587,688	526,064	61,624	11.71
Delinquent tax	<u>676,332</u>	<u>449,622</u>	<u>226,710</u>	<u>50.42</u>
	<u>\$40,552,720</u>	<u>\$39,890,652</u>	<u>\$662,068</u>	<u>1.66</u>

Intergovernmental revenues increased primarily due to additional governmental funding received to aid with additional costs incurred associated with the COVID-19 pandemic.

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



### General Fund Expenditures and Other Financing Uses

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$22,980,979	\$22,909,513	\$ 71,466	0.31
Employee benefits	15,300,406	14,997,561	302,845	2.02
Purchased services	8,005,019	6,991,862	1,013,157	14.49
Supplies and energy	1,724,843	1,368,230	356,613	26.06
Equipment	437,457	760,272	(322,815)	(42.46)
Other	38,294	57,232	(18,938)	(33.09)
Debt service	7,052,342	5,979,014	1,073,328	17.95
Transfers out	-	195,000	(195,000)	(100.00)
	<u>\$55,539,340</u>	<u>\$53,258,684</u>	<u>\$2,280,656</u>	<u>4.28</u>

Employee benefits increased primarily due to an increase in the required annual retirement contribution to 34.51% from 34.29% which represents a 0.64% increase over the prior year. In addition, the number of retirements at June 30, 2021 resulted in an increase in retirement payouts.

Purchased services increased \$1,013,157 or 14.49% primarily due to increases in virtual and charter school enrollments.

# **LAMPETER-STRASBURG SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**June 30, 2021**

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Debt service increased \$1,073,328 or 17.95% due to scheduled debt service maturities, early payoff of the 2014 bond, and the issuance of General Obligation Bond, Series of 2021.

Transfers out decreased as the School Board was unable to appropriate a Capital Projects Fund transfer due in large part for concerns related to COVID-19.

### **CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported an increase in fund balance of \$8,463,345 primarily due to proceeds from the issuance of debt. The remaining fund balance of \$11,437,727 as of June 30, 2021 is restricted for future capital expenditures.

### **GENERAL FUND BUDGET INFORMATION**

Actual revenues were \$2,244,534 more than budgeted amounts and total General Fund expenditures and other financing uses were \$970,194 less than budgeted amounts resulting in a net positive variance of \$3,214,728. Major budgetary highlights for 2020-2021 were as follows:

- Total local source revenues were over budget by \$1,514,905. The budget was based on projections at the height of the COVID-19 pandemic closure. The District did not experience the anticipated reduction in the real estate tax collection rate. In addition, the increase in property assessment, as well as continued growth of earned income tax and real estate sales contributed to the budget surplus.
- Total federal source revenues were over budget by \$815,086. This is primarily due to additional governmental funding received to help offset expenses related to the COVID-19 pandemic, including salaries, benefits, virtual school tuition, cleaning supplies and technology needs.
- Total actual expenditures were under budget by \$200,532 and planned use of budgetary reserves of \$769,662 were unnecessary. This surplus is due to savings in the areas of salaries, medical insurance, utilities, and building, department and manager allocations.

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

During 2020-2021, the net position of the business-type activities increased by \$296,446. The net position of the Food Service Fund increased by \$142,732 and the net position of the School-Age Child Care Fund increased by \$153,714. As of June 30, 2021, the business-type activities had a deficit in net position of \$2,441,232 due in large part to the net pension and other post-employment benefit liabilities.

### **CAPITAL ASSETS**

The District's net capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$43,832,639 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements and furniture and equipment. The total decrease in the District's net investment in capital assets for the current fiscal year was \$2,455,385 or 5.30%. The decrease was the result of current year depreciation expense and loss on disposals in excess of capital additions. Current year depreciation expense was \$3,109,086, loss on disposals were \$6,633, and capital expenditures were \$660,334.

### **NONCURRENT LIABILITIES**

At the end of the current fiscal year, the District had total general obligation debt of \$15,850,000 consisting of \$14,735,000 in bonds payable and \$1,115,000 in notes payable. The entire amount is backed by the full faith and credit of the District. The District's general obligation debt increased by \$2,383,521 or 17.70% during the fiscal year.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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During 2020-2021, the District issued general obligation bonds, Series of 2021 in the amount of \$9,250,000, the proceeds from which are to be used towards future capital projects.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$121,984,417 which exceeds the District's outstanding general obligation debt as of June 30, 2021.

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

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employees' Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$79,767,206 as of June 30, 2021. The District's net pension liability increased by \$2,201,642 or 2.84% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the total OPEB liability which totaled \$6,784,936 as of June 30, 2021. The District's net OPEB liability decreased by \$239,606 or 3.41% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases and accrued retirement bonuses, which totaled \$3,278,528 as of June 30, 2021. These liabilities decreased by \$55,846 or 1.67% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

The implications of COVID-19 continue to impact the District in ways unimagined since early 2020. From online learning to deep cleaning efforts, staffing impacts and anticipated wide-spread financial declines, the District has seen the effects of this emergency. The Board has taken a cautious approach, trying to keep staffing levels as close to "normal" as possible while holding the line on any property tax increase for 2020-2021 and extending discount periods. The District is data-driven and hopes to continue gathering information as we look to build future budgets. All internal groups are aware of the concerns and continue to rise to meet the challenges.

The District adopted a 2021-2022 budget totaling \$56,943,696 including a budgeted use of fund balance of \$1,518,165 in General Fund fund balance as of June 30, 2021, and the real estate tax millage increased to 17.2485 mills.

As we have seen throughout the nation, the economic situation is having an effect on the public sector. Challenges face many school districts in Pennsylvania on a number of issues. With the passage of Act 1 of 2006, our District is faced with a cap on the amount of money that can be funded from a property tax increase without voter referendums. This cap is based upon a percentage calculated and provided by the Pennsylvania Department of Education. The District will face pressure to keep tax increases at or below the allowable increase for the foreseeable future.

In addition to demonstrating proficiency of the Pennsylvania Core and Academic Standards, our District is faced with additional challenges from the mandates imposed by the Federal government through the reauthorization of the Elementary and Secondary Education Act, or Every Student Succeeds Act ("**ESSA**"). ESSA has far-reaching requirements on standardized testing; reporting academic performance; adequate yearly progress goals; teacher qualifications, certifications, and training; disaggregation of student achievement data; the education of English Language Learners and extensive reporting to the community. It will require a continued, and possibly greater, emphasis on investment in curricular materials, staff development, and communication to comply with ESSA's mandates.



# LAMPETER-STRASBURG SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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Many school districts face the common problem of escalating costs for employee benefits, particularly the retirement expenses of the Public School Employees' Retirement System ("**PSERS**") and, as in the case for our District, self-insured healthcare costs. Both of these costs are set by outside influences and, therefore, are not discretionary costs that can be controlled by District management.

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

The Commonwealth has attempted to lessen the burden of the Public School Employees' Retirement System ("**PSERS**") and reduce benefits for individuals who become new members of PSERS. However, the employer contribution rate for 2021-2022 is 34.94%, which is an increase of 1.25% from the 2020-2021 employer contribution rate of 34.51%. The employer contribution rate for 2022-2023 is projected at 35.79% and expected to continue to climb to 36.38% in 2023-2024.

Today's extremely competitive job market is also impacting the District with numerous positions unfilled. With low unemployment levels and private business raising hourly rates exponentially, the District will face many challenges to remain competitive in this market. The Administration and Board will continue to look forward to ensure the District remains an employer of choice.

The costs of medical benefits will continue to have an effect on the District budget, as the District continues to offer a competitive benefits package to employees through the District's self-insured plan. The District continues to implement various strategies to lower the pace of medical inflation.

Maintaining an appropriate physical environment for learning requires investment in the construction, expansion, and renovation of school facilities. This is a well-planned and ongoing process in our District, accompanied by constant monitoring of enrollment trends and financial implications for the District. The District recently completed a comprehensive Feasibility Study looking at every building, the educational delivery system and growth projections. This Study included many recommendations addressing campus safety, large and small renovations and a new Kindergarten/Early Childhood Center. The Board of School Directors approved the study but continues to monitor the economic climate and discuss options. Further details of the Study and recommendations may be found on the District website at <https://www.l-spioneers.org/Departments/Buildings-And-Grounds/Feasibility-Study/>.

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

## CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Lampeter-Strasburg School District, P.O. Box 428, Lampeter, PA 17537.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 3,718,015	\$ 159,958	\$ 3,877,973
Investments	21,908,604	111,817	22,020,421
Taxes receivable	1,189,889	-	1,189,889
Due from other governments	2,408,734	35,583	2,444,317
Internal balances	275,990	(275,990)	-
Other receivables	552,375	-	552,375
Inventories	54,856	79,047	133,903
<b>Total current assets</b>	<b>30,108,463</b>	<b>110,415</b>	<b>30,218,878</b>
<b>NONCURRENT ASSETS</b>			
Capital assets, net	43,659,798	172,841	43,832,639
<b>Total assets</b>	<b>73,768,261</b>	<b>283,256</b>	<b>74,051,517</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges - pension	11,464,203	381,718	11,845,921
Deferred charges - OPEB	1,174,142	70,165	1,244,307
Deferred amounts on debt refunding	5,092	-	5,092
<b>Total deferred outflows of resources</b>	<b>12,643,437</b>	<b>451,883</b>	<b>13,095,320</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	891,555	817	892,372
Accrued salaries, payroll withholdings and benefits	6,122,340	15,432	6,137,772
Due to other governments	132,617	-	132,617
Accrued interest payable	78,941	-	78,941
Unearned revenue	41,135	83,849	124,984
<b>Total current liabilities</b>	<b>7,266,588</b>	<b>100,098</b>	<b>7,366,686</b>
<b>NONCURRENT LIABILITIES</b>			
Due within one year	3,723,429	-	3,723,429
Due in more than one year	99,016,597	2,940,644	101,957,241
<b>Total noncurrent liabilities</b>	<b>102,740,026</b>	<b>2,940,644</b>	<b>105,680,670</b>
<b>Total liabilities</b>	<b>110,006,614</b>	<b>3,040,742</b>	<b>113,047,356</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred credits - pension	3,714,631	123,684	3,838,315
Deferred credits - OPEB	199,867	11,945	211,812
<b>Total deferred outflows of resources</b>	<b>3,914,498</b>	<b>135,629</b>	<b>4,050,127</b>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	27,814,890	172,841	27,987,731
Restricted	2,303,928	-	2,303,928
Unrestricted (deficit)	(57,628,232)	(2,614,073)	(60,242,305)
<b>Total net position (deficit)</b>	<b>\$ (27,509,414)</b>	<b>\$ (2,441,232)</b>	<b>\$ (29,950,646)</b>

See accompanying notes

# LAMPETER-STRASBURG SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Expenses						
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction	\$ 35,588,943	\$ 105,424	\$ 5,965,031	\$ -	\$ (29,518,488)	\$ -	\$ (29,518,488)
Instructional student support	3,840,922	-	1,454,731	-	(2,386,191)	-	(2,386,191)
Administrative and financial support services	5,297,659	-	495,294	-	(4,802,365)	-	(4,802,365)
Operation and maintenance of plant services	4,718,738	36,225	232,756	-	(4,449,757)	-	(4,449,757)
Pupil transportation	1,766,932	-	789,667	-	(977,265)	-	(977,265)
Student activities	1,429,833	59,678	97,497	-	(1,272,658)	-	(1,272,658)
Community services	6,000	-	-	-	(6,000)	-	(6,000)
Interest and amortization expense related to noncurrent liabilities	197,829	-	601,103	-	403,274	-	403,274
<b>Total governmental activities</b>	<b>52,846,856</b>	<b>201,327</b>	<b>9,636,079</b>	<b>-</b>	<b>(43,009,450)</b>	<b>-</b>	<b>(43,009,450)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Food service	1,322,219	202,144	1,212,253	-	-	92,178	92,178
Child care	251,500	331,472	73,646	-	-	153,618	153,618
<b>Total business-type activities</b>	<b>1,573,719</b>	<b>533,616</b>	<b>1,285,899</b>	<b>-</b>	<b>-</b>	<b>245,796</b>	<b>245,796</b>
<b>Total primary government</b>	<b>\$ 54,420,575</b>	<b>\$ 734,943</b>	<b>\$ 10,921,978</b>	<b>\$ -</b>	<b>(43,009,450)</b>	<b>245,796</b>	<b>(42,763,654)</b>
<b>GENERAL REVENUES</b>							
Property taxes levied for general purposes					37,188,016	-	37,188,016
Other taxes levied for general purposes					3,978,751	-	3,978,751
Grants and entitlements not restricted to specific programs					4,823,966	-	4,823,966
Investment earnings (losses)					(183,384)	133	(183,251)
Gain on disposal of capital assets					3,303	-	3,303
<b>TRANSFERS</b>					(50,517)	50,517	-
<b>Total general revenues and transfers</b>					<b>45,760,135</b>	<b>50,650</b>	<b>45,810,785</b>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					<b>2,750,685</b>	<b>296,446</b>	<b>3,047,131</b>
<b>NET POSITION (DEFICIT)</b>							
Beginning of year					(30,260,099)	(2,737,678)	(32,997,777)
<b>End of year</b>					<b>\$ (27,509,414)</b>	<b>\$ (2,441,232)</b>	<b>\$ (29,950,646)</b>

See accompanying notes

**LAMPETER-STRASBURG SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2021

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Public Purpose Trust</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,198,215	\$ 1,742,471	\$ 17,565	\$ 2,958,251
Investments	10,924,107	9,695,256	-	20,619,363
Taxes receivable, net	1,189,889	-	-	1,189,889
Due from other funds	900,886	-	-	900,886
Due from other governments	2,408,734	-	-	2,408,734
Other receivables	85,585	-	-	85,585
Inventories	54,856	-	-	54,856
<b>Total assets</b>	<b>\$ 16,762,272</b>	<b>\$ 11,437,727</b>	<b>\$ 17,565</b>	<b>\$ 28,217,564</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 407,147	\$ -	\$ -	\$ 407,147
Due to other funds	158,106	-	-	158,106
Accrued salaries, payroll withholdings and benefits	6,122,340	-	-	6,122,340
Due to other governments	132,617	-	-	132,617
Unearned revenue	42,890	-	-	42,890
<b>Total liabilities</b>	<b>6,863,100</b>	<b>-</b>	<b>-</b>	<b>6,863,100</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property and per capita taxes	308,986	-	-	308,986
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	54,856	-	-	54,856
Restricted for				
Capital projects	-	11,437,727	-	11,437,727
Student organizations	-	-	17,565	17,565
Assigned to				
Employer retirement rate stabilization	1,111,500	-	-	1,111,500
Property tax assessment appeals	171,710	-	-	171,710
Technology initiatives	48,000	-	-	48,000
Unassigned	8,204,120	-	-	8,204,120
<b>Total fund balances</b>	<b>9,590,186</b>	<b>11,437,727</b>	<b>17,565</b>	<b>21,045,478</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 16,762,272</b>	<b>\$ 11,437,727</b>	<b>\$ 17,565</b>	<b>\$ 28,217,564</b>

See accompanying notes

## LAMPETER-STRASBURG SCHOOL DISTRICT

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

June 30, 2021

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 21,045,478</b>
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Amounts reported for governmental activities in the statement of net position (deficit) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	43,659,798
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Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	5,092
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Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	8,723,847
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Some of the District's property taxes and certain other receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	310,741
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The Internal Service Fund is used by management to charge the cost of health insurance claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	1,564,597
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Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(102,740,026)
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Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(78,941)
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<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (27,509,414)</u></b>
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# LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30, 2021

	Major Funds			Total
	General Fund	Capital Projects Fund	Public Purpose Trust	
<b>REVENUES</b>				
Local sources	\$ 40,721,263	\$ (28,472)	\$ 3,193	\$ 40,695,984
State sources	13,223,715	-	-	13,223,715
Federal sources	1,813,146	-	-	1,813,146
<b>Total revenues</b>	<u>55,758,124</u>	<u>(28,472)</u>	<u>3,193</u>	<u>55,732,845</u>
<b>EXPENDITURES</b>				
Current				
Instruction	33,009,987	-	-	33,009,987
Support services	14,473,818	69,500	-	14,543,318
Operation of noninstructional services	1,003,193	-	1,467	1,004,660
Facilities acquisition, construction and improvement services	-	647,546	-	647,546
Debt service	7,052,342	53,320	-	7,105,662
<b>Total expenditures</b>	<u>55,539,340</u>	<u>770,366</u>	<u>1,467</u>	<u>56,311,173</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>218,784</u>	<u>(798,838)</u>	<u>1,726</u>	<u>(578,328)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from extended term financing	-	62,700	-	62,700
Proceeds from issuance of bonds	-	9,250,000	-	9,250,000
Transfers out	-	(50,517)	-	(50,517)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>9,262,183</u>	<u>-</u>	<u>9,262,183</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>218,784</u>	<u>8,463,345</u>	<u>1,726</u>	<u>8,683,855</u>
<b>FUND BALANCES</b>				
Beginning of year	<u>9,371,402</u>	<u>2,974,382</u>	<u>15,839</u>	<u>12,361,623</u>
<b>End of year</b>	<u>\$ 9,590,186</u>	<u>\$ 11,437,727</u>	<u>\$ 17,565</u>	<u>\$ 21,045,478</u>

See accompanying notes

# LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30, 2021

<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 8,683,855</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and the net book value of disposed assets exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 609,817	
Net book value of disposed assets	(6,633)	
Depreciation expense	<u>(3,085,473)</u>	(2,482,289)

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

Deferred inflows of resources June 30, 2020	(389,346)	
Deferred inflows of resources June 30, 2021	<u>310,741</u>	(78,605)

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

(493,370)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and notes payable	6,848,000	
Issuance of debt	(9,250,000)	
Proceeds from extended term financing	(62,700)	
Repayment of extended term financing	54,155	
Amortization of premiums and deferred amounts on refunding	<u>(10,074)</u>	(2,420,619)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Current year change in accrued interest payable	15,753	
Change in net pension liability and related deferred inflows and outflows	(552,395)	
Current year change in accrued retirement bonuses	63,315	
Change in net OPEB liability and related deferred inflows and outflows	<u>15,040</u>	(458,287)

<b>CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,750,685</u></b>
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See accompanying notes

# LAMPETER-STRASBURG SCHOOL DISTRICT

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

June 30, 2021

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 16,764	\$ 143,194	\$ 159,958	\$ 759,764
Investments	-	111,817	111,817	1,289,241
Due from other governments	35,583	-	35,583	-
Due from other funds	110,160	47,946	158,106	-
Other receivables	-	-	-	466,790
Inventories	79,047	-	79,047	-
<b>Total current assets</b>	<b>241,554</b>	<b>302,957</b>	<b>544,511</b>	<b>2,515,795</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	172,841	-	172,841	-
<b>Total assets</b>	<b>414,395</b>	<b>302,957</b>	<b>717,352</b>	<b>2,515,795</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges - pension	265,703	116,015	381,718	-
Deferred charges - OPEB	59,322	10,843	70,165	-
<b>Total deferred outflows of resources</b>	<b>325,025</b>	<b>126,858</b>	<b>451,883</b>	<b>-</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ -	\$ 817	\$ 817	\$ 484,408
Due to other funds	424,172	9,924	434,096	466,790
Accrued salaries, payroll withholdings and benefits	15,162	270	15,432	-
Unearned revenue	83,849	-	83,849	-
<b>Total current liabilities</b>	<b>523,183</b>	<b>11,011</b>	<b>534,194</b>	<b>951,198</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	-	-	-	-
Due in more than one year	2,089,773	850,871	2,940,644	-
<b>Total noncurrent liabilities</b>	<b>2,089,773</b>	<b>850,871</b>	<b>2,940,644</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,612,956</b>	<b>861,882</b>	<b>3,474,838</b>	<b>951,198</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred charges - pension	86,093	37,591	123,684	-
Deferred charges - OPEB	10,099	1,846	11,945	-
<b>Total deferred inflows of resources</b>	<b>96,192</b>	<b>39,437</b>	<b>135,629</b>	<b>-</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	172,841	-	172,841	-
Unrestricted (deficit)	(2,142,569)	(471,504)	(2,614,073)	1,564,597
<b>Total net position (deficit)</b>	<b>\$ (1,969,728)</b>	<b>\$ (471,504)</b>	<b>\$ (2,441,232)</b>	<b>\$ 1,564,597</b>

See accompanying notes



# LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30, 2021

	Major Funds		Total	Internal Service Fund
	Food Service Fund	School-Age Child Care Fund		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 202,144	\$ 331,472	\$ 533,616	\$ 5,915,725
<b>OPERATING EXPENSES</b>				
Salaries	537,817	235,082	772,899	-
Employee benefits	83,811	451	84,262	6,409,545
Purchased professional and technical services	34,014	1,002	35,016	-
Supplies	642,964	14,965	657,929	-
Depreciation	23,613	-	23,613	-
<b>Total operating expenses</b>	<u>1,322,219</u>	<u>251,500</u>	<u>1,573,719</u>	<u>6,409,545</u>
<b>Operating income (loss)</b>	<u>(1,120,075)</u>	<u>79,972</u>	<u>(1,040,103)</u>	<u>(493,820)</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	37	96	133	450
State sources	147,718	47,946	195,664	-
Federal sources	1,064,535	25,700	1,090,235	-
<b>Total nonoperating revenues</b>	<u>1,212,290</u>	<u>73,742</u>	<u>1,286,032</u>	<u>450</u>
<b>CHANGE IN NET POSITION (DEFICIT) BEFORE TRANSFERS</b>	92,215	153,714	245,929	(493,370)
<b>TRANSFERS IN</b>	<u>50,517</u>	<u>-</u>	<u>50,517</u>	<u>-</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	142,732	153,714	296,446	(493,370)
<b>NET POSITION (DEFICIT)</b>				
Beginning of year	<u>(2,112,460)</u>	<u>(625,218)</u>	<u>(2,737,678)</u>	<u>2,057,967</u>
<b>End of year</b>	<u>\$ (1,969,728)</u>	<u>\$ (471,504)</u>	<u>\$ (2,441,232)</u>	<u>\$ 1,564,597</u>

See accompanying notes

# LAMPETER-STRASBURG SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2021

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 196,248	\$ 348,517	\$ 544,765	\$ -
Cash received from assessments made to other funds	-	-	-	6,327,257
Cash payments to employees for services	(730,059)	(390,610)	(1,120,669)	-
Cash payments for insurance claims	-	-	-	(6,327,257)
Cash payments to supplies for goods and services	(575,231)	(16,824)	(592,055)	-
<b>Net cash provided by (used for) operating activities</b>	<b>(1,109,042)</b>	<b>(58,917)</b>	<b>(1,167,959)</b>	<b>-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State sources	146,667	47,946	194,613	-
Federal sources	935,131	25,700	960,831	-
<b>Net cash provided by noncapital financing activities</b>	<b>1,081,798</b>	<b>73,646</b>	<b>1,155,444</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(50,517)	-	(50,517)	-
Transfers in	50,517	-	50,517	-
<b>Net cash provided by capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	37	96	133	450
Net sale (purchase) of investments	-	(11)	(11)	(128)
<b>Net cash provided by investing activities</b>	<b>37</b>	<b>85</b>	<b>122</b>	<b>322</b>
<b>Net increase (decrease) in cash</b>	<b>(27,207)</b>	<b>14,814</b>	<b>(12,393)</b>	<b>322</b>
<b>CASH</b>				
Beginning of year	43,971	128,380	172,351	759,442
<b>Ending of year</b>	<b>\$ 16,764</b>	<b>\$ 143,194</b>	<b>\$ 159,958</b>	<b>\$ 759,764</b>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (1,120,075)	\$ 79,972	\$ (1,040,103)	\$ (493,820)
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</b>				
Depreciation	23,613	-	23,613	-
Donated commodities used	102,418	-	102,418	-
(Increase) decrease in				
Due from other funds	3,066	17,045	20,111	-
Other receivables	-	-	-	(55,258)
Inventories	(671)	-	(671)	-
Increase (decrease) in				
Accounts payable	-	(857)	(857)	82,288
Due to other funds	133,565	9,924	143,489	466,790
Accrued salaries, payroll withholdings and benefits	103	(13,595)	(13,492)	-
Unearned revenue	(8,962)	-	(8,962)	-
Noncurrent liabilities and deferred charges and credits	(242,099)	(151,406)	(393,505)	-
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (1,109,042)</b>	<b>\$ (58,917)</b>	<b>\$ (1,167,959)</b>	<b>\$ -</b>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
USDA donated commodities	\$ 102,418	\$ -	\$ 102,418	\$ -

See accompanying notes

# LAMPETER-STRASBURG SCHOOL DISTRICT

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2021

	Private- Purpose Trust	Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 196,139</u>	<u>\$ 121,538</u>
<b>LIABILITIES</b>		
Accounts payable	<u>3,300</u>	<u>1,212</u>
<b>NET POSITION</b>		
Restricted for student activities	-	120,326
Net position held in trust for scholarships	<u>192,839</u>	<u>-</u>
<b>Total net position</b>	<u>\$ 192,839</u>	<u>\$ 120,326</u>

See accompanying notes

# LAMPETER-STRASBURG SCHOOL DISTRICT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2021

	Private- Purpose Trust	Custodial Funds
<b>ADDITIONS</b>		
Gifts and contributions	\$ 2,255	\$ 104,689
Investment earnings	<u>109</u>	<u>814</u>
<b>Total additions</b>	<u>2,364</u>	<u>105,503</u>
<b>DEDUCTIONS</b>		
Student activity disbursements	-	119,874
Scholarships awarded and fees paid	<u>9,919</u>	<u>-</u>
<b>Total deductions</b>	<u>9,919</u>	<u>119,874</u>
<b>CHANGE IN NET POSITION</b>	(7,555)	(14,371)
<b>NET POSITION</b>		
Beginning of year	<u>200,394</u>	<u>134,697</u>
<b>End of year</b>	<u>\$ 192,839</u>	<u>\$ 120,326</u>

See accompanying notes

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lampeter-Strasburg School District (the "**District**") operates two elementary schools, one middle school and a high school to provide education and related services to the residents in the Townships of Strasburg and West Lampeter and the Borough of Strasburg. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

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

#### **Reporting Entity**

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

#### **Basis of Presentation**

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

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

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

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

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

### ***Fund Financial Statements***

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

### ***Revenue Recognition***

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

### ***Expenditure Recognition***

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

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

The School-Age Child Care Fund accounts for tuition revenue and program expenses for a program designed to provide care for students after school hours.

The Internal Service Fund is used to account for hospitalization costs which are services provided to the District's employees as benefits.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or government units and are, therefore, not available to support the District's own programs. The District has one custodial fund consisting of funds held on behalf of the students.

### **Cash and Cash Equivalents**

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

### **Investments**

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost which approximates fair value.

### **Fair Value Measurements of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Property Taxes**

Taxes are levied on July 1 and are payable in the following periods:

July 1 – September 30	- Discount period, 2% of gross levy
October 1 – December 31	- Face period
January 1	- Lien date

The County Board of Assessments determines assessed valuations of property and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2020-2021 was 16.9269 mills (\$16.93 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. The District has no property taxes receivable greater than 3 years old.

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

Installment One	- September 30
Installment Two	- October 31
Installment Three	- November 30
Installment Four	- December 31

The discount (two percent) is not applicable to installment payments.

### **Unearned Revenues**

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

### **Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.



# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings – 40 years; building improvements – 20 years; land improvements – 20 years; furniture, fixtures and equipment – 5-12 years; vehicles – 5-10 years.

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

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2021.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

#### **Non-spendable**

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### ***Restricted***

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

### ***Committed***

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

### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Effective July 1, 2020, the District adopted the provisions of GASB Statement No. 84 "Fiduciary Activities" and GASB Statement No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

### **New Accounting Pronouncements**

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

The GASB issued Statement No. 91, "*Conduit Debt Obligations*" in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020, as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 92, "*Omnibus 2020*" in January 2020. This Statement addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021, as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*" in March 2020. This Statement will address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirements of this Statement are effective for periods beginning after June 15, 2020, June 15, 2021, and December 31, 2021, depending on the paragraph, as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

The GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" in March 2020. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" in May 2020. The Statement was issued to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The requirements of this Statement are effective immediately.

The GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*" in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*" in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021.

## (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

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

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

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

### (3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

#### Deposits

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2021, the carrying amount of the District's deposits was \$7,440,523 and the bank balance was \$7,908,377. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$250,000 was covered by federal depository insurance and \$5,332,449 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2021, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

#### Investments

As of June 30, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$ 7,782,058	\$6,329,574	\$1,452,484	\$ -	\$ -
U.S. Treasury and agency securities	10,993,490	-	2,932,690	8,060,800	-
	<u>\$18,775,548</u>	<u>\$6,329,574</u>	<u>\$4,385,174</u>	<u>\$8,060,800</u>	<u>\$ -</u>

U.S. Treasury and agency securities were valued using Level 2 inputs.

#### Reconciliation of Investments to the Financial Statements

Total investments above	\$18,775,548
Time deposits classified as investments on balance sheet	3,244,873
<b>Total investments per financial statements</b>	<u><b>\$22,020,421</b></u>

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2021.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, the District was subject to interest rate risk to the extent interest rate changes impact the District's investments.

### Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

## (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land and improvements	\$ 6,159,900	\$ -	\$ -	\$ 6,159,900
Construction in progress	-	483,560	-	483,560
<b>Total capital assets not being depreciated</b>	<u>6,159,900</u>	<u>483,560</u>	<u>-</u>	<u>6,643,460</u>
Capital assets being depreciated				
Buildings and improvements	89,022,906	-	-	89,022,906
Furniture and equipment	3,960,773	126,257	15,920	4,071,110
<b>Total capital assets being depreciated</b>	<u>92,983,679</u>	<u>126,257</u>	<u>15,920</u>	<u>93,094,016</u>
Less accumulated depreciation for				
Buildings and improvements	(50,692,348)	(2,751,088)	-	(53,443,436)
Furniture and equipment	(2,309,144)	(334,385)	(9,287)	(2,634,242)
<b>Total accumulated depreciation</b>	<u>(53,001,492)</u>	<u>(3,085,473)</u>	<u>(9,287)</u>	<u>(56,077,678)</u>
<b>Total capital assets being depreciated, net</b>	<u>39,982,187</u>	<u>(2,959,216)</u>	<u>6,633</u>	<u>37,016,338</u>
<b>Governmental activities, net</b>	<u>\$ 46,142,087</u>	<u>\$ (2,475,656)</u>	<u>\$ 6,633</u>	<u>\$ 43,659,798</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 24,297	\$ -	\$ 24,297
Capital assets being depreciated				
Machinery and equipment	587,233	26,220	-	613,453
Less accumulated depreciation				
Machinery and equipment	(441,296)	(23,613)	-	(464,909)
<b>Total capital assets being depreciated, net</b>	<u>145,937</u>	<u>2,607</u>	<u>-</u>	<u>148,544</u>
<b>Business-type activities, net</b>	<u>\$ 145,937</u>	<u>\$ 26,904</u>	<u>\$ -</u>	<u>\$ 172,841</u>

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Governmental activities

Instruction	\$2,372,964
Administrative and financial support services	91,322
Operation and maintenance of plant services	153,706
Pupil transportation	51,699
Student activities	<u>415,782</u>

### Total depreciation expense – governmental activities

\$3,085,473

### Business-type activities

Food service	<u>\$ 23,613</u>
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As of June 30, 2021, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2021 are as follows:

	<u>Project Amount</u>	<u>Completed Through June 30, 2021</u>	<u>Remaining Commitments</u>
Governmental activities – Early Childhood Building	<u>\$835,305</u>	<u>\$483,560</u>	<u>\$351,745</u>
Business-type activities – Dishwasher	<u>\$ 48,594</u>	<u>\$ 24,297</u>	<u>\$ 24,297</u>

## (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
School-Age Child Care Fund	\$ 38,022	General Fund	\$ 38,022
General Fund	466,790	Internal Service Fund	466,790
General Fund	<u>314,012</u>	Food Service Fund	<u>314,012</u>
	<u>\$818,824</u>		<u>\$818,824</u>

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

A summary of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service Fund	<u>\$ 50,517</u>	Capital Projects Fund	<u>\$ 50,517</u>

A transfer was made from the Capital Projects Fund to the Food Service Fund as a capital contribution.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$ 6,030,000	\$ 9,250,000	545,000	14,735,000	2,560,000
Notes payable	7,418,000	-	6,303,000	1,115,000	1,115,000
Bond premiums	18,479	-	18,479	-	-
<b>Total general obligation debt</b>	<u>13,466,479</u>	<u>9,250,000</u>	<u>6,866,479</u>	<u>15,850,000</u>	<u>3,675,000</u>
<b>Other noncurrent liabilities</b>					
Capital leases	119,588	62,700	54,155	128,133	48,429
Accrued retirement bonuses	3,186,695	-	63,315	3,123,380	-
OPEB liability	3,321,098	-	184,393	3,136,705	-
Net OPEB liability – PSERS	3,383,465	-	78,477	3,304,988	-
Net pension liability – PSERS	74,618,072	2,578,748	-	77,196,820	-
<b>Total other noncurrent liabilities</b>	<u>84,628,918</u>	<u>2,641,448</u>	<u>380,340</u>	<u>86,890,026</u>	<u>48,429</u>
<b>Total governmental activities</b>	<u>98,095,397</u>	<u>11,891,448</u>	<u>7,246,819</u>	<u>102,740,026</u>	<u>3,723,429</u>
<b>Business-type activities</b>					
Accrued retirement bonuses	28,091	-	1,076	27,015	-
OPEB liability	177,140	-	31,399	145,741	-
Net OPEB liability – PSERS	142,839	54,663	-	197,502	-
Net pension liability – PSERS	2,947,492	-	377,106	2,570,386	-
<b>Total business-type activities</b>	<u>3,295,562</u>	<u>54,663</u>	<u>409,581</u>	<u>2,940,644</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>\$101,390,959</u>	<u>\$11,946,111</u>	<u>\$7,656,400</u>	<u>\$105,680,670</u>	<u>\$3,723,429</u>

Non-current liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service and School-Age Child Care Funds.

### (7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2021 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation notes</b>				
Series of 2002	2.01% - 2.64%	\$15,000,000	02/05/2022	\$ 1,115,000
<b>General obligation bonds</b>				
Series of 2017	2.41%	\$ 7,555,000	03/01/2027	5,485,000
Series of 2021	1.332%	\$ 9,250,000	03/01/2028	<u>9,250,000</u>
<b>Total general obligation bonds</b>				<u>14,735,000</u>
<b>Total general obligation debt</b>				<u>\$15,850,000</u>



# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 3,675,000	\$262,518	\$ 3,937,518
2023	1,955,000	193,756	2,148,756
2024	1,985,000	161,679	2,146,679
2025	2,020,000	129,040	2,149,040
2026	2,050,000	95,828	2,145,828
2027-2028	<u>4,165,000</u>	<u>89,760</u>	<u>4,254,760</u>
	<u>\$15,850,000</u>	<u>\$932,581</u>	<u>\$16,782,581</u>

### Series of 2021 General Obligation Bonds

On April 1, 2021, the District issued \$9,250,000 of general obligation bonds, Series of 2021, the proceeds from which were to be used towards providing funds for capital projects, and to pay for the costs of issuance.

### Interest Rate Management Plan

The General Obligation Notes, Series of 2002, of the District have been issued to the Delaware Valley Regional Finance Authority ("**DVRFA**"). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to participants, DVRFA has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DVRFA and the financial institutions are terminated and the value of the swaps to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability.

The value of the swap agreements relative to the General Obligation Notes, Series of 2002, at June 30, 2021 was an asset of \$144,381. The value of the swap agreements relative to the District's General Obligation Notes, Series of 2002, is not reflected on the District's statement of net position (deficit).

## (8) CAPITAL LEASES

The District has entered into long-term lease agreements for vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2021 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 48,429	\$4,481	\$ 52,910
2023	36,814	2,619	39,433
2024	28,036	1,209	29,245
2025	14,283	360	14,643
2026	<u>571</u>	<u>2</u>	<u>573</u>
	<u>\$128,133</u>	<u>\$8,671</u>	<u>\$136,804</u>

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### (9) ACCRUED RETIREMENT BONUSES

Upon voluntary retirement, a professional employee with qualifying years of service according to either the collective bargaining agreement or administrator agreement will receive a lump sum retirement bonus. A summary of the amount recorded as a liability for these accrued retirement bonuses is as follows for June 30, 2021:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued retirement benefit	\$2,223,363	\$ 9,805
Accumulated sick day payout	<u>900,017</u>	<u>17,210</u>
	<u>\$3,123,380</u>	<u>\$27,015</u>

### (10) PENSION PLAN

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

#### Plan Description

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

#### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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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 PSERS 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 PSERS 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 PSERS 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 PSERS after June 30, 2011, automatically contribute 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 elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause 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 District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$7,818,756 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$79,767,206 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2019 to June 30, 2020. 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, 2020, the District's proportion was 0.1620 percent, which was a decrease of 0.0038 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability of \$77,196,820 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$2,570,386 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized pension expense of \$143,329. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 208,674	\$1,911,815
Difference between expected and actual investment earnings	3,505,665	-
Changes in proportions	299,800	1,926,500
Difference between employer contributions and proportionate share of total contributions	13,026	-
Contributions subsequent to the measurement date	<u>7,818,756</u>	<u>-</u>
	<u>\$11,845,921</u>	<u>\$3,838,315</u>

\$7,818,756 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, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Measurement Date**  
**Year ended June 30,**

2021	\$ (907,726)
2022	(530,826)
2023	585,946
2024	<u>1,041,456</u>
	<u>\$ 188,850</u>

### **Actuarial Assumptions**

The total pension liability as of June 30, 2020 was determined by rolling forward PSERS's total pension liability as the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% 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-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

The 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.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0 %	5.2%
Private equity	15.0 %	7.2%
Fixed income	36.0 %	1.1%
Commodities	8.0 %	1.8%
Absolute return	10.0 %	2.5%
Infrastructure/MLPs	6.0 %	5.7%
Real estate	10.0 %	5.5%
Risk parity	8.0 %	3.3%
Cash	6.0 %	(1.0)%
Financing (LIBOR)	(14.0)%	(0.7)%
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$98,688,889</u>	<u>\$79,767,206</u>	<u>\$63,737,897</u>

### Pension Plan Fiduciary Net Position

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

## (11) OTHER POST-EMPLOYMENT BENEFITS

### Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical and life insurance benefits to eligible retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2019:

Active plan members	331
Inactive plan members entitled to but not yet receiving benefits	-
Inactive plan members or beneficiaries currently receiving benefits	<u>26</u>
Total	<u>357</u>

### Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

### OPEB Liability

The District's OPEB liability has been measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$3,282,446, all of which is unfunded. As of June 30, 2021, the OPEB liability of \$3,136,705 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$145,741 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit). The District's change in its OPEB liability for the year ended June 30, 2021 was as follows:

Balances as of July 1, 2020	<u>\$3,498,238</u>
Changes for the year:	
Service cost	31,135
Interest on total OPEB liability	116,621
Benefit payments	<u>(363,548)</u>
Net changes	<u>(215,792)</u>
Balances as of June 30, 2021	<u>\$3,282,446</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$23,907. At June 30, 2021, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 73,779	\$26,170
Changes in assumptions	<u>768,796</u>	<u>-</u>
	<u>\$842,575</u>	<u>\$26,170</u>

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Year ended June 30,

2022	\$239,699
2023	239,699
2024	239,699
2025	<u>97,308</u>
	<u>\$816,405</u>

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

The following presents the OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$2,880,957</u>	<u>\$3,282,446</u>	<u>\$3,732,439</u>

### Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 3.50%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>2.50%</u>	<u>Discount</u>	<u>Rate</u>
		<u>3.50%</u>	<u>4.50%</u>
OPEB Liability	<u>\$3,524,608</u>	<u>\$3,282,446</u>	<u>\$3,067,836</u>

### Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB liability as of July 1, 2019 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal.
- Discount rate - 3.50% - 20-year high-grade municipal rate index; previously rate of 3.00% was assumed
- Salary growth - an annual rate of 2.50%
- Assumed healthcare cost trends – 7.00% in 2019-2020, 6.00% in 2020/21 and 5.00% in 2021+.
- Mortality rates were based on the PubT.H.2000 Employee (Male and Female weighted by headcount) and projected using the MP-2018 mortality improvement scale as published by the Society of Actuaries.

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

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Plan Description**

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

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

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

### **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. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 \$190,305 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$3,502,490 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2020, the District's proportion was 0.1621 percent, which was a decrease of 0.0037 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the OPEB liability of \$3,304,988 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$197,502 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized negative OPEB expense of \$22,310. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 32,228	\$ -
Changes in assumptions	142,728	76,845
Net difference between projected and actual investment earnings	6,043	-
Changes in proportions	30,428	107,429
Difference between employer contributions and their proportionate share of total contributions	-	1,368
Contributions subsequent to the measurement date	<u>190,305</u>	<u>-</u>
	<u>\$401,732</u>	<u>\$185,642</u>

\$190,305 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, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Measurement Date**  
**Year ended June 30,**

2021	\$ 1,656
2022	1,488
2023	819
2024	15,981
2025	6,037
Thereafter	<u>(196)</u>
	<u>\$25,785</u>

**Actuarial Assumptions**

The OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 2.66% – Standard & Poors 20 year municipal bond rate
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% 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 the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

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, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period June 30, 2015.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.30%	(1.00)%
US Core Fixed Income	46.50%	(0.10)%
Non-US Developed Fixed	3.20%	(0.10)%
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### Discount Rate

The discount rate used to measure the OPEB liability was 2.66%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the Standard & Poor's 20-year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2020, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<b><u>1% Decrease</u></b>	<b><u>Trend Rate</u></b>	<b><u>1% Increase</u></b>
District's proportionate share of the net OPEB liability	<u>\$3,502,041</u>	<u>\$3,502,490</u>	<u>\$3,502,848</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	<b><u>1% Decrease</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1% Increase</u></b>
	<b><u>1.66%</u></b>	<b><u>2.66%</u></b>	<b><u>3.66%</u></b>
District's proportionate share of the net OPEB liability	<u>\$3,993,379</u>	<u>\$3,502,490</u>	<u>\$3,095,992</u>

### **OPEB Plan Fiduciary Net Position**

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

## (12) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

### **Joint Ventures**

#### **Lancaster County Career and Technology Center**

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center ("**LCCTC**"). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2020-2021 was \$574,967.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Lancaster County Career and Technology Center Authority

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2020-2021 was \$89,617.

On September 20, 2011, the Authority authorized the issuance of Guaranteed Lease Revenue Bonds, Series of 2011 (the "**2011 Revenue Bonds**"), in the maximum aggregate principal amount of \$43,000,000 to provide funds for the renovations and additions to the Brownstown, Mount Joy and Willow Street campuses of the LCCTC and pay for the costs of issuance. The District and the 15 Lancaster County school districts have entered into a long-term lease agreement with the Authority stipulating that each school district will pay its proportionate share of the lease rentals in order to retire the 2011 Revenue Bonds based on real estate market values as set forth in the LCCTC organization agreement. The 2011 Revenue Bonds were issued in three different series over three years. The amount of each series was not to exceed \$10,000,000 without the participating school districts' approval. The 2011 Revenue Bonds were intended to be repaid over a period not to exceed thirty years, with gross annual debt service not to exceed \$1,985,000 and net annual debt service (after reimbursement by the Commonwealth of Pennsylvania) of \$1,330,000. On June 29, 2012, the Authority issued the first of three series in the total amount of \$9,995,000. On September 20, 2013 the Authority issued the second of three series in the total amount of \$9,995,000 which was refinanced in February 2017 and on July 9, 2014, the Authority issued the final of the three series in the total amount of \$3,900,000. On June 1 2020, the Authority refinanced its Series of 2013 and Series of 2014 Revenue Bonds by issuing the Series of 2020 Revenue Bonds in the amount of \$11,145,000. The District's lease rental obligations for minimum rental payments related to the issued debt are as follows:

#### Year ending June 30,

2022	\$ 67,757
2023	67,493
2024	67,211
2025	67,386
2026	67,738
2027-2031	333,516
2032-2036	330,230
2037	66,110
	<u>\$1,067,441</u>

Both the LCCTC and the Authority prepare financial statements that are available to the public from their administrative office located at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Jointly Governed Organizations

#### **Lancaster-Lebanon Intermediate Unit**

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the "**LLIU**"). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2020-2021, the District contracted with the LLIU for special education services which totaled \$1,415,346.

#### **Lancaster-Lebanon Joint Authority**

The District and the other Lancaster and Lebanon County school district are also participating members of the Lancaster-Lebanon Joint Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2020-2021, the District did not have any financial transactions with the Authority.

#### **Lancaster County Tax Collection Bureau**

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the "**Bureau**") for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The Bureau's operating expenditures are deducted from each members earned income tax distributions. During 2020-2021, the District's portion of operating expenditures for the Bureau totaled \$47,128.

## (13) OPERATING LEASES

### Lessee

The District leases office and computer equipment under non-cancelable operating leases expiring at various dates through May 2026. Rent expense for the office and computer equipment including additional operating costs, was \$350,028 for 2020-2021.

Future minimum lease payments under these leases are as follows:

#### Year ending June 30,

2022	\$293,037
2023	229,009
2024	124,038
2025	93,600
2026	<u>28,999</u>
	<u>\$768,683</u>

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Lessor

The District entered into an agreement to lease Strasburg Elementary School to a non-profit entity under a non-cancelable lease agreement that expired May 30, 2019, at which point the lease became month to month until either party gives written notice based on the terms of the lease. Rental payments are due monthly from the tenant. Under the terms of the lease agreement, the tenant is responsible for all expenses associated with the building. Rent and utility relief was granted to the non-profit in March 2020. The District received utility reimbursements through September 2020 and one month's rent for the 2020-2021 school year before the tenant vacated the property. There is no current tenant. Rental income under this lease was \$6,575 for 2020-2021.

## (14) CONTINGENCIES AND COMMITMENTS

### Government Grants and Awards

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

### Litigation

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

## (15) RISK MANAGEMENT

### Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District was limited in liability to \$175,000 per individual and \$6,880,187 in total for self-insurance medical claims for the year ended June 30, 2021.

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2020 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Insurance claims liability – beginning of year	\$ 402,120	\$ 1,225,920
Current year insurance claims and changes in estimates	6,409,545	4,308,263
Insurance claims paid	<u>(6,327,257)</u>	<u>(5,132,063)</u>
Insurance claims liability – end of year	<u>\$ 484,408</u>	<u>\$ 402,120</u>

# LAMPETER-STRASBURG SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Workers' Compensation

The District, participating member school districts from Pennsylvania and the LLIU participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the "**Fund**"), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2021, the District is not aware of any additional assessments relating to this Fund.

### Other Risks

The District is exposed to other risks of loss, including errors and omissions. The District has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

## (16) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 84 "*Fiduciary Activities*", the District made a prior period adjustment to record net position for its Custodial Fund within its fiduciary activities. This prior period adjustment and its effect on net position at July 1, 2020 was an increase in Custodial Fund net position of \$134,697. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

## (17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through \_\_\_\_\_, 2021, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



# LAMPETER-STRASBURG SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Local sources	\$ 39,206,358	\$ 39,206,358	\$ 40,721,263	\$ 1,514,905
State sources	13,309,172	13,309,172	13,223,715	(85,457)
Federal sources	998,060	998,060	1,813,146	815,086
<b>Total revenues</b>	<b>53,513,590</b>	<b>53,513,590</b>	<b>55,758,124</b>	<b>2,244,534</b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	23,706,377	23,706,377	23,473,297	233,080
Special programs	8,384,955	8,384,955	8,258,240	126,715
Vocational programs	869,515	869,515	906,933	(37,418)
Other instructional programs	350,560	350,560	340,190	10,370
Nonpublic school programs	-	-	31,327	(31,327)
<b>Total instruction</b>	<b>33,311,407</b>	<b>33,311,407</b>	<b>33,009,987</b>	<b>301,420</b>
<b>Support services</b>				
Pupil support services	2,351,678	2,351,678	2,243,713	107,965
Instructional staff services	1,000,998	1,000,998	886,122	114,876
Administrative services	3,135,419	3,135,419	2,888,106	247,313
Pupil health	607,100	607,100	588,407	18,693
Business services	581,090	581,090	618,997	(37,907)
Operation and maintenance of plant services	4,062,995	4,062,995	3,907,090	155,905
Student transportation services	1,858,854	1,858,854	1,793,635	65,219
Support services - central	1,549,670	1,549,670	1,521,446	28,224
Other support services	27,400	27,400	26,302	1,098
<b>Total support services</b>	<b>15,175,204</b>	<b>15,175,204</b>	<b>14,473,818</b>	<b>701,386</b>
<b>Operation of noninstructional services</b>				
Student activities	1,210,111	1,210,111	995,443	214,668
Community services	6,000	6,000	6,000	-
Scholarship and awards	1,750	1,750	1,750	-
<b>Total operation of noninstructional services</b>	<b>1,217,861</b>	<b>1,217,861</b>	<b>1,003,193</b>	<b>214,668</b>
<b>Debt service</b>				
	6,035,400	6,035,400	7,052,342	(1,016,942)
<b>Total expenditures</b>	<b>55,739,872</b>	<b>55,739,872</b>	<b>55,539,340</b>	<b>200,532</b>
<b>Excess (deficiencies) of revenues over (under) expenditures</b>	<b>(2,226,282)</b>	<b>(2,226,282)</b>	<b>218,784</b>	<b>2,445,066</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budgetary reserve	(769,662)	(769,662)	-	769,662
<b>Total other financing sources (uses)</b>	<b>(769,662)</b>	<b>(769,662)</b>	<b>-</b>	<b>769,662</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (2,995,944)</b>	<b>\$ (2,995,944)</b>	<b>218,784</b>	<b>\$ 3,214,728</b>
<b>FUND BALANCE</b>				
Beginning of year			9,371,402	
<b>End of year</b>			<b>\$ 9,590,186</b>	

# LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1620%	0.1658%	0.1677%	0.1687%	0.1654%	0.1627%	0.1586%
District's proportionate share of the net pension liability	\$ 79,767,206	\$ 77,565,564	\$ 80,504,000	\$ 83,318,000	\$ 81,967,000	\$ 70,474,000	\$ 62,775,000
District's covered-employee payroll	\$ 22,756,687	\$ 22,874,758	\$ 22,586,915	\$ 22,464,381	\$ 21,422,799	\$ 20,932,889	\$ 20,235,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	350.52%	339.09%	356.42%	370.89%	382.62%	336.67%	310.23%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	56.00%	54.00%	52.00%	50.00%	54.00%	57.00%

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,567,313	\$ 7,424,915	\$ 7,116,000	\$ 6,453,000	\$ 5,262,000	\$ 4,201,000	\$ 3,159,000
Contributions in relation to the contractually required contribution	<u>\$ 7,567,313</u>	<u>\$ 7,435,753</u>	<u>\$ 7,131,159</u>	<u>\$ 6,455,302</u>	<u>\$ 5,416,000</u>	<u>\$ 4,289,181</u>	<u>\$ 3,259,735</u>
Contribution deficiency (excess)	-	(10,838)	(15,159)	(2,302)	(154,000)	(88,181)	(100,735)
District's covered-employee payroll	\$ 22,756,687	\$ 22,874,758	\$ 22,586,915	\$ 22,464,381	\$ 21,422,799	\$ 20,932,889	\$ 20,235,020
Contributions as a percentage of covered-employee payroll	33.25%	32.51%	31.57%	28.74%	25.28%	20.49%	16.11%

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

# LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>				
Service cost	\$ 31,135	\$ 29,442	\$ 32,599	\$ 79,241
Interest on total OPEB liability	116,621	81,321	83,391	88,164
Differences between expected and actual experience	-	121,533	-	(52,534)
Changes of assumptions	-	660,443	-	738,499
Benefit payments	<u>(363,548)</u>	<u>(180,949)</u>	<u>(185,852)</u>	<u>(243,851)</u>
<b>Net change in total OPEB liability</b>	(215,792)	711,790	(69,862)	609,519
<b>Total OPEB liability, beginning</b>	<u>3,498,238</u>	<u>2,786,448</u>	<u>2,856,310</u>	<u>2,246,791</u>
<b>Total OPEB liability, ending</b>	<u>\$ 3,282,446</u>	<u>\$ 3,498,238</u>	<u>\$ 2,786,448</u>	<u>\$ 2,856,310</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 21,391,318	\$ 20,869,579	\$ 19,566,848	\$ 19,089,608
<b>Net OPEB liability as a % of covered payroll</b>	15.34%	16.76%	14.24%	14.96%

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

**LAMPETER-STRASBURG SCHOOL DISTRICT****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS****Year ended June 30**

	<b>Measurement Date</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
District's proportion of the net OPEB liability	0.1621%	0.1658%	0.1677%	0.1687%
District's proportionate share of the net OPEB liability	\$ 3,502,490	\$ 3,526,304	\$ 3,496,000	\$ 3,437,000
District's covered-employee payroll	\$ 22,756,687	\$ 22,871,758	\$ 22,586,915	\$ 22,464,381
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total net OPEB liability	6.00%	6.00%	6.00%	6.00%

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

**LAMPETER-STRASBURG SCHOOL DISTRICT****SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS****Year ended June 30**

	<b>Measurement Date</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Contractually required contribution	\$ 190,829	\$ 189,959	\$ 187,000	\$ 187,000
Contributions in relation to the contractually required contribution	<u>\$ 190,739</u>	<u>\$ 189,315</u>	<u>\$ 186,480</u>	<u>\$ 183,490</u>
Contribution deficiency (excess)	90	644	520	3,510
District's covered-employee payroll	\$ 22,756,687	\$ 22,871,758	\$ 22,586,915	\$ 22,464,381
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.82%

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

**SINGLE AUDIT**

Daft - 10/12/21 - Subject to Change

# LAMPETER-STRASBURG SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Education</u></b>											
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>											
Title I - Improving Basic Programs	I	84.010	013-200220	07/01/19 - 09/30/20	\$ 404,302	\$ 80,845	\$ 67,278	\$ 13,567	\$ 13,567	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-210220	07/01/20 - 09/30/21	392,262	236,506	-	247,933	247,933	11,427	-
Total CFDA #84.010						317,351	67,278	261,500	261,500	11,427	-
Title II - Improving Teacher Quality	I	84.367	020-200220	07/01/19 - 09/30/20	91,645	18,003	18,003	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-210220	07/01/20 - 09/30/21	78,898	73,790	-	77,470	77,470	3,680	-
Total CFDA #84.367						91,793	18,003	77,470	77,470	3,680	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210220	07/01/20 - 09/30/21	30,662	30,662	-	30,107	30,107	(555)	-
CARES Act - ESSER Fund Local	I	84.425	200-200220	03/13/20 - 09/30/21	332,071	279,639	-	326,729	326,729	47,090	-
I.D.E.A. - Part B, Section 611	I	84.027	252-200220	03/13/20 - 09/30/21	14,350	14,350	-	14,350	14,350	-	-
<b><u>Passed Through the Lancaster-Lebanon I.U. #13</u></b>											
I.D.E.A. - Part B, Section 611	I	84.027	062-210013	07/01/20 - 09/30/21	493,685	493,685	-	493,685	493,685	-	-
Total CFDA #84.027						508,035	-	508,035	508,035	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-200013	07/01/19 - 06/30/20	2,618	2,618	2,618	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210013	07/01/20 - 06/30/21	2,340	2,340	-	2,340	2,340	-	-
Total CFDA #84.173						4,958	2,618	2,340	2,340	-	-
<b><u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u></b>											
COVID-19 ESSER School Health & Safety Grants	I	84.425	2020-ES-1-01-34926	03/13/20 - 09/30/22	90,863	-	-	87,609	87,609	87,609	-
Total U.S. Department of Education						1,232,438	87,899	1,293,790	1,293,790	149,251	-

Continued on next page



<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Treasury</u></b>											
<b><u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u></b>											
COVID-19 Relief Fund	I	21.019	2020-CS-01-33361	03/01/20 - 10/30/20	235,232	235,232	14,891	220,341	220,341	-	-
<b><u>Passed-Through the County of Lancaster</u></b>											
COVID-19 Relief Fund	I	21.019	N/A	08/26/20 - 12/30/20	255,882	255,882	-	255,882	255,882	-	-
<b><u>Passed-Through Child Care Consultants</u></b>											
COVID-19 Relief Fund	I	21.019	N/A	03/01/20 - 11/30/20	25,700	25,700	-	25,700	25,700	-	-
<b>Total U.S. Department of Treasury</b>						516,814	14,891	501,923	501,923	-	-
<b><u>U.S. Department of Agriculture</u></b>											
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>											
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	2,814	2,814	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	180,514	-	187,707	187,707	7,193	-
Total CFDA #10.553						183,328	2,814	187,707	187,707	7,193	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	4,451	4,451	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	747,352	-	774,410	774,410	27,058	-
<b><u>Passed-Through the Pennsylvania Department of Agriculture</u></b>											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	102,139	(34,858)	102,418	102,418	(34,579)	-
Total CFDA #10.555						853,942	(30,407)	876,828	876,828	(7,521)	-
<b>Total U.S. Department of Agriculture</b>						1,037,270	(27,593)	1,064,535	1,064,535	(328)	-
<b>Total Federal Awards</b>						\$ 2,786,522	\$ 75,197	\$ 2,860,248	\$ 2,860,248	\$ 148,923	\$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 512,993	\$ 2,618	\$ 510,375	\$ 510,375	\$ -	\$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 1,037,270	\$ (27,593)	\$ 1,064,535	\$ 1,064,535	\$ (328)	\$ -

**Legend**

D - Direct Funding

I - Indirect Funding

CFDA - Catalog of Federal Domestic Assistance

# **LAMPETER-STRASBURG SCHOOL DISTRICT**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2021**

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### **(1) FEDERAL EXPENDITURES**

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

### **(2) BASIS OF ACCOUNTING**

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

### **(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD**

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2020-2021 fiscal year.

### **(4) ACCESS PROGRAM**

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$43,133.

### **(5) INDIRECT COSTS**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2021.

**LAMPETER-STRASBURG SCHOOL DISTRICT**

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

**Year ended June 30, 2021**

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There were no audit findings for the year ended June 30, 2020.

Daft - 10/12/21 - Subject to Change



**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  
Lampeter-Strasburg School District  
Lampeter, 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 Lampeter-Strasburg School District, Lampeter, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Lampeter-Strasburg School District's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2021.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Lampeter-Strasburg 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.

**Philadelphia, Pennsylvania  
, 2021**

Daft - 10/12/21 - Subject to Change



**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  
Lampeter-Strasburg School District  
Lampeter, Pennsylvania**

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

We have audited Lampeter-Strasburg School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lampeter-Strasburg School District's major federal programs for the year ended June 30, 2021. Lampeter-Strasburg 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lampeter-Strasburg School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lampeter-Strasburg School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lampeter-Strasburg School District's compliance.

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

In our opinion, Lampeter-Strasburg 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, 2021.

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

Management of Lampeter-Strasburg School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lampeter-Strasburg School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lampeter-Strasburg School District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

**Philadelphia, Pennsylvania**  
**, 2021**

# LAMPETER-STRASBURG SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Lampeter-Strasburg School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Lampeter-Strasburg School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Lampeter-Strasburg School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Lampeter-Strasburg School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was:  
  
    Child Nutrition Cluster:  
    School Breakfast Program – CFDA Number 10.553  
    National School Lunch Program – CFDA Number 10.555
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Lampeter-Strasburg School District did qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

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

None





## Pennsylvania School Boards Association Principles for Governance and Leadership

Pennsylvania school boards are committed to providing **every** student the opportunity to grow and achieve. The actions taken by the board ultimately have both short and long-term impact in the classroom. Therefore, school directors collectively and individually will...



### Advocate Earnestly

Promote public education as a keystone of democracy

Engage the community by seeking input, building support networks, and generating action

Champion public education by engaging members of local, state and federal legislative bodies



### Lead Responsibly

Prepare for, attend and actively participate in board meetings

Work together in a spirit of harmony, respect and cooperation

Participate in professional development, training and board retreats

Collaborate with the Superintendent as the Team of 10



### Govern Effectively

Adhere to an established set of rules and procedures for board operations

Develop, adopt, revise and review policy

Align decisions to policy

Differentiate between governance and management, delegating management tasks to administration

Allocate finances and resources

Ensure compliance with local, state and federal laws



### Plan Thoughtfully

Adopt and implement a collaborative comprehensive planning process, including regular reviews

Set annual goals that are aligned with the comprehensive plan

Develop a financial plan that anticipates both short and long-term needs

Formulate a master facilities plan conducive to teaching and learning



### Evaluate Continuously

Utilize appropriate data to make informed decisions

Use effective practices for the evaluation of the superintendent

Assess student growth and achievement

Review effectiveness of the comprehensive plan



### Communicate Clearly

Promote open, honest and respectful dialogue among the board, staff and community

Encourage input and support for the district from the school community

Protect confidentiality

Honor the sanctity of executive session



### Act Ethically

Never use the position for improper benefit to self or others

Act to avoid actual or perceived conflicts of interest

Recognize the absence of authority outside of the collective board

Respect the role, authority and input of the superintendent

Balance the responsibility to provide educational programs with being stewards of community resources

Abide by the majority decision

Represented by the signatures below, adoption of these principles assures the school board, individual school directors and chief school administrators adhere to the same principles across our commonwealth. Adopted on: \_\_\_\_\_

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