

ELIZABETHTOWN AREA SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Elizabethtown Area School District
Elizabethtown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Elizabethtown Area School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the Contents and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the Contents and Schedule of Expenditures of Federal Awards are 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 November 14, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 14, 2022

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The discussion and analysis of the Elizabethtown Area School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements as a whole to enhance their understanding of the District's financial performance.

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

Financial Highlights

Overall expenditures and net other financing uses in the general fund for the 2021-2022 fiscal year were budgeted at \$68,773,995. Revenues in the general fund for the 2021-2022 fiscal year were budgeted at \$68,770,056 with an anticipated reduction in fund balance of \$3,939. At year end, actual expenditures and net other financing uses were \$69,320,075 which is \$546,080 more than the budgeted amount. Actual revenues at year end were \$71,519,488 which is about \$2.75 million more than the budgeted amount. When compared to budget, the actual increase in expenditures and net other financing uses versus the actual increase in revenue resulted in an actual growth in the fund balance of \$2.2 million.

Revenues were more than budget by about \$2.75 million or approximately 4.0% of the budgeted revenues. Real estate and wage volatility were the primary influence on the local revenue variances. Local revenues were over budget by approximately \$1.6 million, due to three variations in budgeted revenues. The first local revenue surplus was associated with the very active real estate market in Elizabethtown Area School District like many areas across the state and country. This resulted in the sale of many properties include some large commercial properties. The transfer real estate taxes that were over budget by about \$687,400, which was even higher than 2020-2021. The delinquent real estate payments were over budget by about \$200,000. Many properties with delinquent taxes were sold and the taxes were paid as part of the sale proceeds. Finally, the real estate tax collection rate of 97.33% was the highest in more than 15 years and resulted in exceeding the budget by \$346,000. Secondly, the Earned Income Tax (EIT) or wage taxes were over budget by about \$221,700. The Lancaster County Tax Collection Bureau (LCTCB) is the collector of these EIT funds for the District. The expectation was that these revenues would have moderate growth in 2021-2022, so the budgeted revenues associated with the wage taxes for 2021-2022 was \$4,450,000 versus the actual revenue of \$4,341,410 for 2020-2021. Actual EIT revenue in 2021-2022 was \$4,671,700. The final large local revenue surplus was associated with tuition received from other school districts. This has trended upward the last few years and was \$180,000 more than budgeted for 2021-2022.

The budgetary surplus associated with state revenue was approximately \$508,400 and were associated with two areas. The first is related to increases in Basic Education Funding (BEF) and Special Education Funding (SEF) realized after the District budget was approved. These contributed to \$367,900 in revenue above the budget. The second increase was a combination of underfunding in the budgeted safety and security grants and an excessive in PLANCON revenues. This combination resulted in \$164,200 in additional revenue. Federal revenues were over budget by approximately \$612,300. While the 2021-2022 federal revenues budget included \$302,400 in CARES revenues, the actual CARES funds through multiple federal grants was nearly \$732,400 or \$430,000 over budget. These summaries of variations across the multiple funding sources account for approximately \$2.6 million of the \$2.75 million in additional revenues realized in 2021-2022.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Financial Highlights (Continued)

Expenditures and other financing uses were over budgeted by about \$546,000 or approximately 0.8% of the budgeted expenditures. The budget overage was driven by multiple factors, including \$1.75 million of program expenditures that came in over budget, offset by other program expenditures that came in under budget by \$1.2 million. First, total medical expenses were over budget by more than \$915,000. The district is self-funded for most of the medical expenses. There was about a 20% increase in net medical cost from 2019-2020 to 2020-2021, some of this was from medical procedures and costs deferred at the end of the 2019-2020 budget year. If the increases are averaged over the last four years, the district experienced about a 10% per year increase. Medical expenses in 2021-2022 were comparable to actual costs in 2020-2021. The significant increase in cyber charter enrollment did not return to pre-COVID-19 pandemic levels. Throughout the 2021-2022 school year, the cyber charter enrollment was consistently 145 to 150 students. This enrollment resulted in cyber charter expenditures of approximately \$526,000 over budget. The final large account variation where expenses were over budget was in the area of Career and Technology Center tuition. The district enrollment has been increasing and these costs are based on a three-year rolling average. Adjustments were made for the 2022-2023 budget, but actual expenditures for 2021-2022 were approximately \$300,000 over the budget.

These expenditure overages were offset by multiple reductions in budgeted expenditures of approximately \$1.2 million during the school year. First, the contingency allocation of \$500,000 was used to cover some of the categories that were over budget. Second, technology supplies and fees were underbudget by approximately \$450,000. Some of the technology needed in 2021-2022 was purchased with federal funds in the spring of 2021 to ensure that the Chromebooks were available for the start of the 2021-2022 school year. At that time significant delays were being experienced and projected to continue. The last significant contributor to lower expenditures was in transportation spending which was about \$254,400 less than budgeted. The student ridership remained lower 2021-2022 school year than in the pre-pandemic timeframe. Additionally, the district transportation contractor struggle with hiring and maintaining drivers. The lower utilization and driver staff resulted in multiple bus consolidations throughout the school year.

Using this Annual Report

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Elizabethtown Area School District as a financial whole.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District, this is the food service fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

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

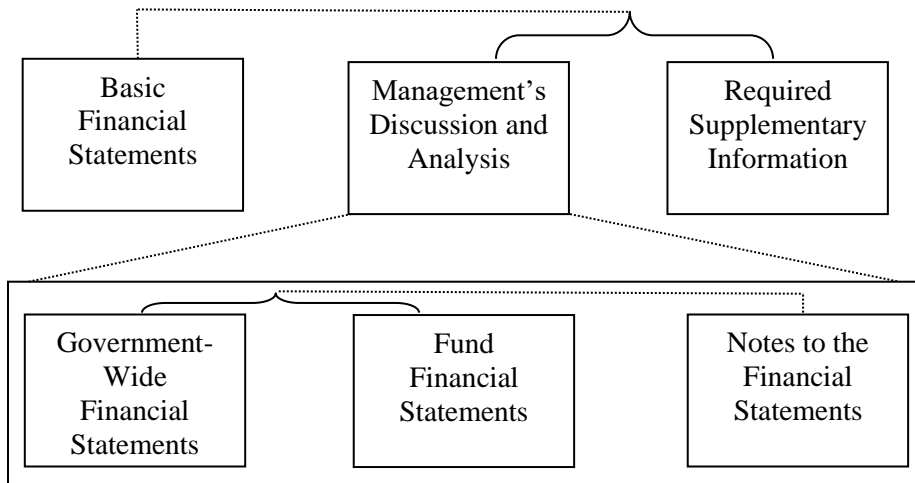
**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Using this Annual Report (Continued)

Figure A-1 shows how the required parts of the financial report are arranged and relate to one another.

Figure A-1

Required Components of Elizabethtown Area School District's Financial Report



**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Using this Annual Report (Continued)

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

Figure A-2 Major Features of Elizabethtown Area School District’s Government-Wide and Fund Financial Statements				
		Fund Statements		
	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Fund
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the District operates similar to private business - food service and internal services funds	Instances in which the District accounts for someone else’s resources - the custodial fund, which is comprised of scholarship and student activities
Required financial statements	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows	Statement of Net Position and Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Overview of Financial Statements

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows, and liabilities and deferred inflows, is one way to measure the District's financial health or position.

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

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

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

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

Fund Financial Statements

The District's fund financial statements, which begin on page 18, provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Overview of Financial Statements (Continued)

Fund Financial Statements (Continued)

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

The District's other proprietary fund is the internal service fund. This fund is used to facilitate the payments of actual claims incurred by the District's self-funded medical plan. The District contracts with a third-party administrator to process all claims and notify the District on a weekly basis of the dollar amount of claims that are to be paid.

Fiduciary fund - The District accounts for some scholarship and student activity transactions. With the implementation of GASB 84, Fiduciary Activities, the District fiduciary fund now includes a custodial fund, replacing the private purpose trust and student activities funds. This custodial fund is comprised of multiple scholarship funds and a student activity fund. The District's fiduciary activities are reported in separate statements of net position and changes in net position - fiduciary funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Financial Analysis of the District as a Whole

The District's total net position for governmental activities was \$(53,213,006) as of June 30, 2022. The negative unrestricted net position is due to GASB 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of \$90,072,000 net pension liability at June 30, 2022, and significant footnote disclosure found in Note 11.

**Table A-1
Fiscal Years Ended June 30, 2022 and 2021
Net Position**

	2022			2021		
	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District
Assets						
Current and other assets	\$ 29,081,229	\$ 607,487	\$ 29,688,716	\$ 28,640,675	\$ 54,973	\$ 28,695,648
Capital assets and other non-current assets	68,774,221	-	68,774,221	81,415,819	1,931	81,417,750
Total assets	\$ 97,855,450	\$ 607,487	\$ 98,462,937	\$ 110,056,494	\$ 56,904	\$ 110,113,398
Deferred outflows of resources	\$ 34,908,147	\$ 341,922	\$ 35,250,069	\$ 19,163,022	\$ 189,000	\$ 19,352,022
Liabilities						
Current and other liabilities	\$ 11,683,199	\$ 86,383	\$ 11,769,582	\$ 11,710,325	\$ 124,513	\$ 11,834,838
Long-term liabilities	149,672,151	968,406	150,640,557	160,824,359	1,073,000	161,897,359
Total liabilities	\$ 161,355,350	\$ 1,054,789	\$ 162,410,139	\$ 172,534,684	\$ 1,197,513	\$ 173,732,197
Deferred inflows of resources	\$ 24,621,253	\$ 234,650	\$ 24,855,903	\$ 3,839,000	\$ 351,800	\$ 4,190,800
Net Position						
Net Investment in capital assets	\$ 24,216,785	\$ -	\$ 24,216,785	\$ 30,843,154	\$ 1,931	\$ 30,845,085
Restricted	3,298,226	-	3,298,226	3,532,623	-	3,532,623
Unrestricted deficit	(80,728,017)	(340,030)	(81,068,047)	(81,529,945)	(1,305,340)	(82,835,285)
Total net deficit	\$ (53,213,006)	\$ (340,030)	\$ (53,553,036)	\$ (47,154,168)	\$ (1,303,409)	\$ (48,457,577)

At June 30, 2022, the District's total governmental activities assets decreased by \$12,201,045. \$8,211,732 of this decrease related to a prior period adjustment, as a result of revisions to the depreciation lifecycle that was used in previous periods. For many years there were facilities in the district that were on a 50- and 75-year useful life depreciation schedule. The Chief Finance and Operations Officer reviewed these assumptions and concluded that a 30-year useful life was a more accurate useful life. At June 30, 2022, the District's governmental activities total liabilities decreased by \$11,179,335 primarily as the result of the decrease in bonds payable and decrease in the net pension liability and net other postemployment benefits.

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The deferred inflows and outflows of resources are discussed in Note 1 to the financial statements. The negative unrestricted net position is due to the requirement of the District to report its proportionate share of the PSERS net pension liability as defined in GASB Statement No. 68. Note 11 of these financial statements further explains the defined benefit pension plan.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Financial Analysis of the District as a Whole (Continued)

The results of this year's operations as a whole are reported in the statement of activities on page 17. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues.

The two largest general revenues are the local real estate taxes assessed to community taxpayers and basic education subsidy provided by the Commonwealth of Pennsylvania.

Table A-2 takes the information from the statement of activities and rearranges it slightly so that you can see the total revenues for the year.

**Table A-2
Fiscal Years Ended June 30, 2022 and 2021
Changes in Net Position**

	2022			2021		
	Governmental Activities	Business-Type Activities	Total District	Governmental Activities	Business-Type Activities	Total School District
Revenues:						
Program Revenues						
Charges for Services	\$ 551,660	\$ 207,934	\$ 759,594	\$ 453,726	\$ 151,954	\$ 605,680
Operating Grants and Contributions	13,434,769	1,977,692	15,412,461	13,487,229	1,159,551	14,646,780
Capital Grants and Contributions	-	-	-	263,623	-	263,623
General Revenue						
Property Taxes	41,014,564	-	41,014,564	38,095,181	-	38,095,181
Other Taxes	6,108,828	-	6,108,828	5,700,103	-	5,700,103
Unrestricted grants and subsidies	9,943,217	-	9,943,217	9,815,483	-	9,815,483
Unrestricted contributions	-	-	-	978,384	-	978,384
Unrestricted Investment Earnings	118,078	835	118,913	168,162	570	168,732
Other general revenues	-	-	-	269,794	-	269,794
Miscellaneous income	200,421	-	200,421	-	-	-
Total Revenues	71,371,537	2,186,461	73,557,998	69,231,685	1,312,075	70,543,760
Expenses						
Instructional Programs	45,900,085	-	45,900,085	46,363,952	-	46,363,952
Instructional Student Support	5,013,592	-	5,013,592	4,749,770	-	4,749,770
Administrative, Financial, and Central Support Services	7,544,127	-	7,544,127	8,281,978	-	8,281,978
Operation and maintenance of Plant Services	5,611,844	-	5,611,844	5,051,566	-	5,051,566
Pupil Transportation	2,477,761	-	2,477,761	2,422,357	-	2,422,357
Student Activities	1,190,858	-	1,190,858	1,081,723	-	1,081,723
Community Services	5,144	-	5,144	66,947	-	66,947
Interest on long-term debt	1,475,232	-	1,475,232	1,536,509	-	1,536,509
Food Services	-	1,157,698	1,157,698	-	1,018,584	1,018,584
Total Expenses	69,218,643	1,157,698	70,376,341	69,554,802	1,018,584	70,573,386
Increase (Decrease) in Net Position	\$ 2,152,894	\$ 1,028,763	\$ 3,181,657	\$ (323,117)	\$ 293,491	\$ (29,626)

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Financial Analysis of the District as a Whole (Continued)

For the year ended June 30, 2022, government wide revenues increased by \$2,139,852 most of this was due to an increase of approximately \$1,931,215 in property taxes and an increase in real estate transfer taxes. For the year ended June 30, 2022, government wide expenses decreased by \$366,159, most impacted by the reduction in supplies purchased used in the COVID-19 pandemic. In 2021-2022 more of the pandemic related federal funds were used toward personnel related expenses versus supplies.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, financial, and central support services, operation and maintenance of plant services, pupil transportation, student activities, community services, and interest on long-term debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants and subsidies to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3
Fiscal Years Ended June 30, 2022 and 2021
Governmental Activities**

	<u>2022</u>		<u>2021</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional Programs	\$ 45,900,085	\$ 35,743,324	\$ 46,363,952	\$ 36,257,414
Instructional student support	5,013,592	4,221,576	4,749,770	4,119,177
Administrative, Financial and Central Support Services	7,544,127	6,230,652	8,281,978	6,683,779
Operation and maintenance of plant services	5,611,844	5,241,237	5,051,566	4,713,028
Pupil transportation	2,477,761	1,545,797	2,422,357	1,304,753
Student activities	1,190,858	925,447	1,081,723	932,240
Community services	5,144	5,144	66,947	66,947
Interest on long-term debt	1,475,232	1,319,037	1,536,509	1,272,886
Total Governmental Activities	<u>\$ 69,218,643</u>	<u>\$ 55,232,214</u>	<u>\$ 69,554,802</u>	<u>\$ 55,350,224</u>
Unrestricted Grants and Subsidies		(9,943,217)		(9,815,483)
Total needs from taxes and other local sources		<u>\$ 45,288,997</u>		<u>\$ 45,534,741</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the District.

**Table A-4
Fiscal Years Ended June 30, 2022 and 2021
Business-Type Activities**

	<u>2022</u>		<u>2021</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food service	\$ 1,157,698	\$ (1,027,928)	\$ 1,018,584	\$ (292,921)

The statement of revenues, expenses, and changes in net position for this proprietary fund will further detail the actual results of operations.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The District Funds

As of June 30, 2022, the District’s governmental funds reported a combined fund balance of \$20,042,663, which is an increase of \$1,931,625 over the previous year. The primary reason for this change is explained below:

The general fund balance increased mostly as a result of increased local funding received from multiple the local economy outperforming expectations in the measurement of real estate taxes, wage taxes, real estate transfer, and delinquent real estate taxes.

General Fund Budget

During the fiscal year, the Board of School Directors (Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule, showing the District’s original and final budget amounts compared with amounts actually paid and received, is provided on page 70.

Transfers between specific categories of expenditures and financing uses occur during the year. The transfers occur from expenditure categories that were underspent to expenditure categories that were overspent.

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

Capital Assets and Debt Administration

Capital Assets - Governmental Activities

As of June 30, 2022, the District had \$68,774,221 invested in a broad range of capital assets, including land, buildings, furniture, and construction in progress, which decreased by \$12,641,598. As discussed previously, for many years there were facilities in the district that were on a 50- and 75-year useful life depreciation schedule. The Chief Finance and Operations Officer reviewed these assumptions and concluded that a 30-year useful life was a more accurate depreciation. Of the total decrease, \$8,211,732 related to the prior period adjustment.

**Table A-5
Governmental Activities
Capital Assets (Net of Depreciation)**

	2022	2021
Governmental Activities:		
Land and land improvements	\$ 4,125,149	\$ 4,401,845
Building and building improvements	62,027,199	68,277,587
Furniture and equipment	2,485,761	2,619,884
Vehicles	136,112	111,602
Construction in progress (CIP)	-	6,004,901
	\$ 68,774,221	\$ 81,415,819

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Debt Administration

As of July 1, 2021, the District had a total outstanding bond principal of \$53,590,000. During the year, the District decreased the principal in the amount of \$2,760,000. Current year debt service activity resulted in an ending outstanding debt as of June 30, 2022, of \$50,830,000. The Series 2021, 2021A, and 2022 Bond issued in this period were all refinancing of existing debt.

**Table A-6
Outstanding Debt**

Issue:	<u>2022</u>	<u>2021</u>
Series of 2016	\$ -	\$ 5,320,000
Series of 2016A	-	4,400,000
Series of 2017	-	9,510,000
Series of 2019	5,770,000	6,635,000
Series of 2019A	9,065,000	9,070,000
Series of 2020	9,485,000	9,715,000
Series of 2020A	7,490,000	8,940,000
Series of 2021	5,100,000	-
Series of 2021A	4,315,000	-
Series of 2022	9,605,000	-
	<u>\$ 50,830,000</u>	<u>\$ 53,590,000</u>

More detailed information about our long-term debt is included in Note 10 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The District’s general obligation bond rating is a Moody’s Aa3 (assigned on June 17, 2020 and July 7, 2020, reaffirmed on October 19, 2021). The Aa3 rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. When assigning its rating, Moody’s cited the District’s satisfactory financial position with reserves that have been markedly stable over the past several years. The rating further reflects our expectation of continued financial stability in the near term despite any coronavirus-related concerns, given annual property tax increases and modest reliance on earned income tax. The district’s moderately-sized tax base has a good amount of new development currently underway and is characterized by average resident wealth and income levels. Additionally, the rating considers the district’s somewhat elevated debt burden and manageable pension liability.

The District does not expect a significant growth in student population. Despite a good amount of available land, current zoning ordinances discourage residential development. Increases in assessed values have been relatively low in recent years, primarily as a result of the District being a residential community with few large employers and some properties that qualify as exempt or for preferential assessment under the Clean and Green Act. The District is authorized by the Local Economic Revitalization Tax Assistance Act (LERTA) to provide tax exemption for new construction in deteriorated areas of economically depressed communities and for improvements to certain deteriorated industrial, commercial, and other business properties to encourage development and job growth within the District.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Economic Factors and Next Year’s Budgets and Rates (Continued)

The wage tax shows a steady annual increase that generally reflects increases at or slightly above the CPI, an indication that employment opportunities are available for residents of our District. This growth continued through the 2020-2021 budget year despite the COVID-19 challenges and resulted in EIT revenues exceeding the budget by more than \$805,000. This wage tax is projected to continue to grow through 2021-2022 at a rate of 2.5% above 2020-2021 actual.

In the 2021-2022 budget, the District increased expenditures and other financing uses by 3.7% from the previous year’s budget. Salaries were projected to grow by 2.2% and benefits by 1.1%. There are a number of other areas contributing to the projected growth in expenditures. A large increase in expenditures was in the special education professional services associated with moving a classroom to Lancaster-Lebanon IU-13. There was an approximately \$470,000 or 12% increase in purchased professional and technical services. Another large increase in the area of cyber charter budget. This budget increased by \$450,000 or 39%. Finally, with the continued uncertainty associated with COVID-19, the budgetary reserve was increased from \$200,000 to \$500,000.

Budgeted revenue for the 2021-2022 school year is 3.6% higher than the previous year’s budget. The millage rate for 2021-2022 is 18.0669, which is 2.9% higher than the previous year. Local revenue continues to provide the majority of funding for District expenses as noted on page 11. Additionally, in the 2021-22 school year state funding remains relatively flat. The local earning income (wage) tax revenues are increased by 26% in the 2021- 2022 budget versus the 2020-2021 budget.

The comparison of revenue and expenditure categories is as follows:

Table A-7 Budgeted Revenues		
	2022-2023	2021-2022
Local sources	67.9%	69.0%
State sources	28.8%	29.3%
Federal sources	3.3%	1.7%
Budgeted Expenditures		
	2022-2023	2021-2022
Instruction	65.2%	63.4%
Support services	25.6%	27.1%
Athletic and extracurricular	1.7%	1.8%
Fund transfers/debt	7.5%	7.7%

The District anticipates increased costs for 2022-2023 related to continued higher utilization of cyber charter schools by some families in the district. Additionally, the District anticipates facility renovations associated with the high school and middle school complex four to six year from now. The District assigned fund balance at June 30, 2022, of \$5,900,000 with \$700,000 in anticipation of these additional cyber charter school expenses and \$5.2 million to future facility improvements.

Contacting the District Business Administrator

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District’s finances and to show the Board’s accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Daniel L. Forry, Chief Finance and Operations Officer, Elizabethtown Area School District, 600 East High Street, Elizabethtown, PA 17022.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**STATEMENT OF NET POSITION
June 30, 2022**

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 24,073,598	\$ 642,897	\$ 24,716,495
Taxes receivable, net	1,379,007	-	1,379,007
Internal balances	80,662	(80,662)	-
Due from other governments	2,899,362	4,008	2,903,370
Other receivables	242,288	3,926	246,214
Inventories	128,035	37,318	165,353
Prepaid expenses	278,277	-	278,277
Total current assets	29,081,229	607,487	29,688,716
Capital Assets			
Non-depreciable	1,095,713	-	1,095,713
Depreciable, net	67,678,508	-	67,678,508
Total capital assets	68,774,221	-	68,774,221
Total assets	\$ 97,855,450	\$ 607,487	\$ 98,462,937
Deferred Outflows of Resources			
Pension	\$ 31,377,000	\$ 317,000	\$ 31,694,000
Other postemployment benefits	3,531,147	24,922	3,556,069
Total deferred outflows of resources	\$ 34,908,147	\$ 341,922	\$ 35,250,069
Liabilities			
Current Liabilities			
Accounts payable	\$ 506,716	\$ 25,682	\$ 532,398
Current portion of long-term debt	3,065,000	-	3,065,000
Accrued salaries and benefits	5,974,530	3,144	5,977,674
Accrued interest on long-term debt	295,939	-	295,939
Payroll deductions and withholdings	252,901	-	252,901
Unearned revenues	296,736	57,557	354,293
Due to other governments	429,567	-	429,567
Other current liabilities	861,810	-	861,810
Total current liabilities	11,683,199	86,383	11,769,582
Noncurrent Liabilities			
Long-term Portion of Bonds Payable, net of unamortized premiums and discounts	49,736,956	-	49,736,956
Long-term portion of compensated absences	1,612,620	-	1,612,620
Net pension liability	90,072,000	910,000	90,982,000
Net Other Postemployment Benefit Liabilities	8,250,575	58,406	8,308,981
Total long-term liabilities	149,672,151	968,406	150,640,557
Total liabilities	\$ 161,355,350	\$ 1,054,789	\$ 162,410,139
Deferred Inflows of Resources			
Gain on bonding refunding, net of accumulated amortization	\$ 373,991	\$ -	\$ 373,991
Pension	20,887,000	211,000	21,098,000
Other Postemployment Benefits	3,360,262	23,650	3,383,912
Total deferred inflows of resources	\$ 24,621,253	\$ 234,650	\$ 24,855,903
Net Position (Deficit)			
Net investment in capital assets	\$ 24,216,785	\$ -	\$ 24,216,785
Restricted for:			
Capital Projects	3,298,226	-	3,298,226
Unrestricted deficit	(80,728,017)	(340,030)	(81,068,047)
Total net position	\$ (53,213,006)	\$ (340,030)	\$ (53,553,036)

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 45,900,085	\$ 379,780	\$ 9,776,981	\$ -	\$ (35,743,324)	\$ -	\$ (35,743,324)
Instructional student support	5,013,592	-	792,016	-	(4,221,576)	-	(4,221,576)
Administrative, financial and central support services	7,544,127	-	1,313,475	-	(6,230,652)	-	(6,230,652)
Operation and maintenance of plant services	5,611,844	26,026	344,581	-	(5,241,237)	-	(5,241,237)
Pupil transportation	2,477,761	-	931,964	-	(1,545,797)	-	(1,545,797)
Student activities	1,190,858	145,854	119,557	-	(925,447)	-	(925,447)
Community services	5,144	-	-	-	(5,144)	-	(5,144)
Interest on long-term debt	1,475,232	-	156,195	-	(1,319,037)	-	(1,319,037)
Total governmental activities	69,218,643	551,660	13,434,769	-	(55,232,214)	-	(55,232,214)
Business-Type Activities:							
Food Service	1,157,698	207,934	1,977,692	-	-	1,027,928	1,027,928
Total primary government	\$ 70,376,341	\$ 759,594	\$ 15,412,461	\$ -	\$ (55,232,214)	\$ 1,027,928	\$ (54,204,286)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 41,014,564	\$ -	\$ 41,014,564
Public utility realty, earned income, and other taxes levied for general purposes, net					6,108,828	-	6,108,828
Unrestricted grants and subsidies					9,943,217	-	9,943,217
Investment earnings					118,078	835	118,913
Miscellaneous income					200,421	-	200,421
Total general revenues					57,385,108	835	57,385,943
Changes in net position					2,152,894	1,028,763	3,181,657
Net Position - July 1, 2021					(47,154,168)	(1,303,409)	(48,457,577)
Prior Period Adjustment (see Note 1)					(8,211,732)	(65,384)	(8,277,116)
Net Position - July 1, 2021 (restated)					(55,365,900)	(1,368,793)	(56,734,693)
Net Position - June 30, 2022					\$ (53,213,006)	\$ (340,030)	\$ (53,553,036)

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	Major Funds			
	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 14,943,682	\$ 8,218,537	\$ -	\$ 23,162,219
Taxes receivable, net	1,379,007	-	-	1,379,007
Due from other funds	754	-	-	754
Due from other governments	2,899,362	-	-	2,899,362
Interfund advances receivable	91,742	-	-	91,742
Other receivables	45,851	-	-	45,851
Prepaid expenses	17,639	59,782	-	77,421
Inventories	128,035	-	-	128,035
Total assets	\$ 19,506,072	\$ 8,278,319	\$ -	\$ 27,784,391
Liabilities				
Accounts payable	\$ 472,917	\$ 33,799	\$ -	\$ 506,716
Due to other funds	11,676	-	-	11,676
Accrued salaries and benefits	5,974,530	-	-	5,974,530
Payroll deductions and withholdings	252,901	-	-	252,901
Payable to other governments	429,567	-	-	429,567
Unearned revenues	296,736	-	-	296,736
Other liabilities	100	-	-	100
Total liabilities	7,438,427	33,799	-	7,472,226
Deferred Inflows of Resources				
Delinquent taxes	269,502	-	-	269,502
Fund Balances				
Nonspendable	145,674	-	-	145,674
Restricted	-	8,244,520	-	8,244,520
Committed	400,000	-	-	400,000
Assigned	5,900,000	-	-	5,900,000
Unassigned	5,352,469	-	-	5,352,469
Total fund balances	11,798,143	8,244,520	-	20,042,663
Total liabilities, deferred inflows of resources and fund balances	\$ 19,506,072	\$ 8,278,319	\$ -	\$ 27,784,391

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022**

Total fund balances - governmental funds	\$ 20,042,663																		
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>																			
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$118,267,145 and the accumulated depreciation is \$49,492,924.</p>	68,774,221																		
<p>Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</p>	446,804																		
<p>Property taxes are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>	269,502																		
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Bonds payable</td> <td style="text-align: right;">(50,830,000)</td> <td></td> </tr> <tr> <td>Accrued interest on long-term debt</td> <td style="text-align: right;">(295,939)</td> <td></td> </tr> <tr> <td>Bonds premium, net of amortization</td> <td style="text-align: right;">(1,971,956)</td> <td></td> </tr> <tr> <td>Compensated Absences</td> <td style="text-align: right;">(1,612,620)</td> <td></td> </tr> <tr> <td>Net other postemployment benefits (OPEB) liabilities</td> <td style="text-align: right;">(8,250,575)</td> <td></td> </tr> <tr> <td>Net pension liability</td> <td style="text-align: right;"><u>(90,072,000)</u></td> <td style="text-align: right; vertical-align: bottom;">(153,033,090)</td> </tr> </table>	Bonds payable	(50,830,000)		Accrued interest on long-term debt	(295,939)		Bonds premium, net of amortization	(1,971,956)		Compensated Absences	(1,612,620)		Net other postemployment benefits (OPEB) liabilities	(8,250,575)		Net pension liability	<u>(90,072,000)</u>	(153,033,090)	
Bonds payable	(50,830,000)																		
Accrued interest on long-term debt	(295,939)																		
Bonds premium, net of amortization	(1,971,956)																		
Compensated Absences	(1,612,620)																		
Net other postemployment benefits (OPEB) liabilities	(8,250,575)																		
Net pension liability	<u>(90,072,000)</u>	(153,033,090)																	
<p>Deferred outflows of resources - pension and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.</p>	34,908,147																		
<p>Deferred inflows of resources - pension, OPEB, and refinancing gain are not due and collectable in the current period and, therefore, are not reported in the funds.</p>	<u>(24,621,253)</u>																		
Total net deficit - governmental activities	<u>\$ (53,213,006)</u>																		

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2022

	Major Funds			
	General Fund	Capital Projects Fund	Debt Service Fund	Totals Governmental Funds
Revenues				
Local sources				
Real estate taxes	\$ 41,204,229	\$ -	\$ -	\$ 41,204,229
Other taxes	6,108,828	-	-	6,108,828
Investment earnings	90,763	27,315	-	118,078
Other revenue	1,666,186	-	-	1,666,186
Total local sources	49,070,006	27,315	-	49,097,321
State sources	20,696,811	-	-	20,696,811
Federal sources	1,752,671	-	-	1,752,671
Total revenues	71,519,488	27,315	-	71,546,803
Expenditures				
Instructional services	43,925,680	-	-	43,925,680
Support services	19,464,323	425,629	329,548	20,219,500
Noninstructional services	1,140,576	-	-	1,140,576
Capital outlay	-	383,874	-	383,874
Debt service	-	-	4,640,395	4,640,395
Total expenditures	64,530,579	809,503	4,969,943	70,310,025
Excess (deficiency) of revenues over expenditures	6,988,909	(782,188)	(4,969,943)	1,236,778
Other Financing Sources (Uses)				
Refund of prior years expenditures	-	14,400	-	14,400
Proceeds of refunding bonds	-	-	19,180,000	19,180,000
Payments to refunded bond escrow agent	-	-	(19,165,000)	(19,165,000)
Premium on issuance of debt	-	-	674,111	674,111
Transfers in (out)	(4,780,832)	500,000	4,280,832	-
Refund of prior year receipts	(8,664)	-	-	(8,664)
Total other financing sources (uses)	(4,789,496)	514,400	4,969,943	694,847
Net changes in fund balances	2,199,413	(267,788)	-	1,931,625
Fund Balances:				
July 1, 2021	9,598,730	8,512,308	-	18,111,038
June 30, 2022	\$ 11,798,143	\$ 8,244,520	\$ -	\$ 20,042,663

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Net changes in fund balances - total governmental funds		\$1,931,625
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeds capital outlays in the period is as follows:		
Capital outlays	661,685	
Depreciation	<u>(5,091,550)</u>	(4,429,865)
Because some property and earned income taxes receivable will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.		
		(189,666)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditures in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here.		
		99,649
The change in net position in the Internal Service Fund is reported within governmental activities.		
		(923,929)
Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.		
District pension and OPEB contributions (PSERS)		9,901,000
Cost of benefits earned net of employee contributions (PSERS)		(6,374,100)
Some expenses reports in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		(65,133)
Other post-employment benefits (District Plan)		(173,090)
The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term obligations and related items is as follows:		
Issuance of long-term debt, including bond premium	(19,854,111)	
Repayment of debt principal	21,940,000	
Refunding gain, net	(386,876)	
Amortization of refunding gain (loss)	(100,637)	
Amortization of bond premiums and discounts - net	<u>778,027</u>	<u>2,376,403</u>
Change in net position - governmental activities		<u><u>\$2,152,894</u></u>

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 642,897	\$ 911,379
Receivables		
Federal subsidies	3,882	-
State subsidies	126	-
Other	3,926	196,283
Due from other funds	11,676	-
Inventories	37,318	-
Prepaid expenses	-	200,856
Capital assets		
Machinery and equipment	77,507	-
Accumulated depreciation	(77,507)	-
Total assets	\$ 699,825	\$ 1,308,518
Deferred Outflows of Resources		
Deferred amounts on pension liability	\$ 317,000	\$ -
Deferred amounts on other post-employment benefits liabilities	24,922	-
Total deferred outflows of resources	\$ 341,922	\$ -
Liabilities		
Accounts payable	\$ 25,682	\$ 861,710
Due to other funds	92,338	4
Accrued salaries and benefits	3,144	-
Unearned revenues	57,557	-
Long-term liabilities		
Net pension liability	910,000	-
Other post-employment benefits liabilities	58,406	-
Total long-term liabilities	968,406	-
Total liabilities	\$ 1,147,127	\$ 861,714
Deferred Inflows of Resources		
Deferred amounts on pension liability	\$ 211,000	\$ -
Deferred amounts on other post-employment benefits liabilities	23,650	-
Total deferred inflows of resources	\$ 234,650	\$ -
Net Position (Deficit)		
Unrestricted (deficit)	\$ (340,030)	\$ 446,804

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2022

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
Operating Revenues		
Food service revenue	\$ 204,008	\$ -
Charges for services	-	6,726,576
Other revenue	3,926	-
Total operating revenues	207,934	6,726,576
Operating Expenses		
Salaries	204,656	-
Employee benefits	(227,514)	7,653,266
Other purchased services	1,001,766	-
Repairs and maintenance	15,757	-
Supplies	161,102	-
Depreciation	1,931	-
Total operating expenses	1,157,698	7,653,266
Operating loss	(949,764)	(926,690)
Nonoperating Revenues		
Investment earnings	835	2,761
State sources	91,531	-
Federal sources	1,741,339	-
Value of donated commodities	144,822	-
Total nonoperating revenues	1,978,527	2,761
Changes in net position	1,028,763	(923,929)
Net Position - July 1, 2021	(1,303,409)	1,370,733
Prior Period Adjustment (see Note 1)	(65,384)	-
Net Position - July 1, 2021 (restated)	(1,368,793)	1,370,733
Net Position - June 30, 2022	\$ (340,030)	\$ 446,804

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2022

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash received from users	\$ 208,609	\$ -
Cash received from assessments made to other funds	-	6,726,580
Cash payments to employees for services	(349,658)	-
Cash payments to suppliers for goods and services	(1,107,685)	(7,485,872)
Net cash used in operating activities	(1,248,734)	(759,292)
Cash Flows From Non-Capital Financing Activities		
State sources	92,807	-
Federal sources	1,775,428	-
Net cash provided by non-capital financing activities	1,868,235	-
Cash Flows From Investing Activities		
Investment earnings	835	2,761
Net cash provided by investing activities	835	2,761
Net change in cash and cash equivalents	620,336	(756,531)
Cash and Cash Equivalents:		
July 1, 2021	22,561	1,667,910
June 30, 2022	\$ 642,897	\$ 911,379
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (949,764)	\$ (926,690)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,931	
Value of donated commodities	107,780	
(Increase) decrease in:		
Receivables	(3,926)	(46,592)
Due from other funds	(11,676)	-
Inventory	74,010	-
Prepaid expense	-	8,143
Deferred outflows of resources	(152,922)	-
Increase (decrease) in:		
Accounts payable	(7,839)	205,843
Accrued salaries and benefits	2,150	-
Unearned revenue	(32,441)	-
Due to other funds	(54,293)	4
Net pension liability	(71,000)	-
OPEB liabilities	(33,594)	-
Deferred inflows of resources	(117,150)	-
Net cash used in operating activities	\$ (1,248,734)	\$ (759,292)
Supplemental Disclosure		
Noncash non-capital financing activity		
Receipt of USDA donated commodities	\$ 107,780	\$ -

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	Custodial Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 534,365
Total assets	<u>\$ 534,365</u>
Liabilities	
Accounts payable	\$ 4,255
Due to other funds	154
Total liabilities	<u>\$ 4,409</u>
Net Position	
Restricted for:	
Held in trust for scholarships	\$ 103,134
Held in trust for health programs	398
Endowments	324,202
Student activities	102,222
Total net position	<u>529,956</u>
Total liabilities and net position	<u>\$ 534,365</u>

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022

	Custodial Fund
<hr/>	
Additions	
Gifts and contributions	\$ 8,775
Fees and collections	101,617
Investment earnings	1,463
Total additions	<u>111,855</u>
Deductions	
Student activity expenses	108,182
Scholarship awarded	16,524
Total deductions	<u>124,706</u>
Changes in net position	(12,851)
Net Position:	
July 1, 2021	542,807
June 30, 2022	<u>\$ 529,956</u>

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Elizabethtown Area School District (the District), located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in Elizabethtown Borough, Mount Joy, West Donegal and Conoy Townships. These include regular, advanced academic, vocational education programs and special education programs for gifted and handicapped children. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District is comprised of four elementary schools, one middle school, one intermediate school and one high school, serving approximately 3,900 students.

The accounting policies of Elizabethtown Area School District conform with accounting principles generally accepted in the United States of America (GAAP) as applicable 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:

A. Reporting Entity

Consistent with guidance contained in Statement No. 14 of the GASB, The Financial Reporting Entity, and as amended, the criteria used by the District to evaluate the possible inclusion of related entities (authorities, boards, councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the District reviews the applicability of the following criteria:

The District is financially accountable for:

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

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

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

3. Organizations which are fiscally dependent on the District and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the District.

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

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures

Lancaster County Career and Technology Center: The District is one of 16-member school districts of the Lancaster County Career and Technology Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the area Career and Technology Center Board for Lancaster County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the District's reporting entity. The District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2022, was approximately \$1,215,321. Complete general purpose financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Lancaster County Career and Technology Center Authority: The District is also a member of the Lancaster County Career and Technology Center Authority (LCCTC Authority). In 1968, the LCCTC Authority entered into an agreement with the member school districts and the Career and Technology Center Board to acquire land and construct buildings to provide the facilities for the operation of LCCTC. In 1995, the LCCTC Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the LCCTC facilities. In 1998, the LCCTC Authority entered into an additional agreement with the member school districts and the LCCTC Authority Board to advance refund the LCCTC Authority's 1995 bonds. The District has an ongoing financial responsibility to the LCCTC Authority for a portion of the debt obligation relating to these improvements. The District's lease payment to the LCCTC Authority for the year ended June 30, 2022, was \$69,109, which has been reported in the District's general fund. Complete general purpose financial statements for the LCCTC Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

On June 29, 2012, Lancaster County Career and Technology Center Authority issued Guaranteed Lease Revenue Bonds, Series of 2012, totaling \$9,995,000. On June 30, 2020, LCCTC Authority refinanced Guaranteed Lease Revenue Bonds, Series of 2017 (refunding of Guaranteed Lease Revenue Bonds, Series of 2013), and Guaranteed Lease Revenue Bonds, Series of 2014, and issued Guaranteed Lease Revenue Bonds, Series of 2020, totaling \$11,145,000. The original bonds were issued for the purpose of providing funds for renovations and additions and various other ongoing and proposed capital projects on LCCTC facilities. The District, along with the other member districts, have covenanted to pay lease rentals in amounts sufficient to service this debt, in proportions based on real estate market values.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures (Continued)

Lancaster County Career and Technology Center Authority (Continued):

The District's estimated lease rental obligations for future minimum rental payments related to the issued debt are as follows:

<u>Years</u>	<u>Amount</u>
2023	\$ 69,107
2024	68,818
2025	68,997
2026	69,358
2027	68,886
2028-2032	340,294
2033-2037	338,128
	<u>\$ 1,023,588</u>

Lancaster-Lebanon Joint Authority: The District is a member of the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P. L. 382, as amended, by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit 13. The Authority is not reported as part of the District's reporting entity. The District did not have any financial transactions with the Authority during the year ended June 30, 2022. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster-Lebanon Intermediate Unit (LLIU): The LLIU Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' boards of directors. Elizabethtown Area School District is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Elizabethtown Area School District contracts with the LLIU for special education services for District students. The amount paid for services for the year ended June 30, 2022, was \$1,688,897. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures (Continued)

Lancaster County Academy (Academy): The District participates with 11 other school districts in Lancaster County. Each public school district appoints one member to serve on the joint operating committee. As a member school district, each school district has an ongoing financial responsibility to fund the operations of the Academy. The District's portion of the operating expenditures for the year ended June 30, 2022, was \$51,460. Complete financial information for the Academy can be obtained from the Administrative Office at 1202 Park City Center, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau (Bureau): The District participates with 17 other school districts and the municipalities represented by those school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee and 17 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made monthly. The District's portion of the operating expenditures for the year ended June 30, 2022, was \$64,381. Complete financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

C. Basis of Presentation - Fund Accounting

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

D. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) these statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide financial statements are prepared using the economic resources measurement focus. 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. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Basis of Presentation - Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Internal service funds are combined, and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities, as well as deferred inflows and outflows of resources associated with the operation of these funds, are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus. With the measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decrease (i.e., expenses) in net position.

The District reports the following major governmental funds:

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

Capital Projects Fund - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This fund includes the capital reserve fund and any bond construction funds held by the District.

Debt Service Fund - This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

The District reports the following proprietary funds:

Food Service Fund - This major fund accounts for the revenues, food purchases, and other costs and expenses of providing meals to students during the school year.

Internal Service Fund - This fund is used to account for health insurance premiums and claims which are services provided to the District employees as benefits.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Basis of Presentation - Fund Financial Statements (Continued)

The custodial fund is used to account for assets held by the District as agent for others. This fund accounts for the receipts and disbursement of monies related to student-led activities, as well as accounts for the receipts and disbursement of monies contributed to the District for scholarships, and to provide materials for health-related programs.

F. Budgetary Accounting and Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. As of June 30, 2022, the District had no encumbrances.

G. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, deferred inflows and outflows of resources, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service, compensated absence, pension and other postemployment benefits payments, which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees and interest on investments. Current property taxes measurable at June 30, 2022, which are not intended to finance fiscal 2022 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenues at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the fiduciary funds. Revenues are recognized when they are earned, and expenses are recognized when incurred.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Basis of Accounting (Continued)

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenues (earned income taxes) are recognized when received, as the amounts are not reasonably estimable prior to receipt.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the District's food service fund are charges to students and staff for food. Operating expenses include the costs to provide food. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When amounts are available in multiple fund balance classifications, it is the District's policy to use funds in the following order: restricted, committed, assigned and unassigned.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

Taxes Receivable and Deferred Inflows of Tax Revenues: The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. All taxes receivables are considered to be fully collectible

Interfund Activity: Exchange transactions between governmental funds are eliminated on the government-wide statements. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories: On the government-wide financial statements, inventories are presented at the lower of cost or market on a first in/first-out (FIFO) basis and are expensed when used.

Inventories in governmental funds represent the estimated cost using the first-in/first-out (FIFO) method of supplies on hand at June 30, 2022. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. The inventory cost has been recorded as an asset in the governmental funds.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2022, including the value of commodities donated by the federal government. Any unused commodities donated by the federal government are reported as deferred revenue until used.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Capital Assets: The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at acquisition value on the date donated. The District capitalizes assets with an individual cost of \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

<u>Assets</u>	<u>Years</u>
Buildings	25-30
Building Improvements	15-30
Land improvements	50
Furniture	10-25
Equipment	5-25
Vehicles	3-15

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has identified these items in subsequent notes to the financial statements.

Long-Term Liabilities: In the government-wide financial statements, and in those of proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable reflect the effects of applicable bond premiums or discounts. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

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

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value; (2) lease term; and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Unearned Revenues: Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Compensated Absences: The District accrues unused vacation and sick leave as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with District policy. The District also accrues service stipends to be paid out at retirement in accordance with District policy.

Vacation and sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated vacation and sick leave and employees' wage rates at year end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Pensions: Substantially all full-time and qualifying part-time employees of the District participate in a cost-sharing multiple-employer defined benefit and defined contribution 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.

Other Post-employment Benefits (OPEB):

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

Cost-Sharing Multiple Employer Defined-Benefit Plan: The District participates in the PSERS Health Insurance Premium Assistance Program. 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Other Post-employment Benefits (OPEB) (Continued):

The balance of the District's OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2022, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Liabilities			
District's Single Employer Plan	\$ 3,036,575	\$ 21,406	\$ 3,057,981
PSERS Cost-Sharing Plan	5,214,000	37,000	5,251,000
Total	<u>\$ 8,250,575</u>	<u>\$ 58,406</u>	<u>\$ 8,308,981</u>
Deferred Outflows of Resources			
District's Single Employer Plan	\$ 1,719,547	\$ 12,122	\$ 1,731,669
PSERS Cost-Sharing Plan	1,811,600	12,800	1,824,400
Total	<u>\$ 3,531,147</u>	<u>\$ 24,922</u>	<u>\$ 3,556,069</u>
Deferred Inflows of Resources			
District's Single Employer Plan	\$ 2,603,062	\$ 18,350	\$ 2,621,412
PSERS Cost-Sharing Plan	757,200	5,300	762,500
Total	<u>\$ 3,360,262</u>	<u>\$ 23,650</u>	<u>\$ 3,383,912</u>

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost-Sharing Plan are in Notes 12 and 13, respectively.

Deferred Inflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has identified these items in subsequent notes to the financial statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Net Position: The District's fund balance classifications are defined and described as follows:

Non-spendable: Represents amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents amounts that are constrained for a specific purpose through restrictions by external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purposes through the same action it used to commit the funds.

Assigned: Represents amounts that are constrained by the government's intentions for them to be used for specific purposes, but such amounts are neither restricted nor committed. The Board has delegated the authority to establish intent to the District's Director of Finance and Operations.

Unassigned: Represents amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The District's policy is to first apply restricted fund balance, then committed, assigned and unassigned, respectively, when an expenditure is incurred for purposes for which amounts in any of these classification could be used.

The District has adopted a formal minimum fund policy. The District will strive to maintain an unassigned general fund balance of approximately 5% to 8% of the budgeted expenditures for that fiscal year. The total fund balance, including committed, assigned or unassigned categories may exceed 8% of the budgeted expenditures for that fiscal year.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

I. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2022:

GASB issued Statement No. 87, *Leases*, increases the usefulness of governments' 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, per GASB No. 95, and earlier application is encouraged. The District has implemented this pronouncement in the current year.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of various GASB standards previously issued.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses accounting and financial reporting implications that result from the replacement of an IBOR.

GASB 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*, (1) increases consistency and comparability related to the reporting of fiduciary component units where a governing board does not exist and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension and OPEB plans and other employee benefit plans as fiduciary component units; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

I. New Accounting Pronouncements (Continued)

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the District beginning with its year ending June 30, 2023 (periods beginning after December 15, 2021). This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the District beginning with its year ending June 30, 2023 (fiscal periods beginning after June 15, 2022). This Statement improves financial reporting by addressing issues related to public-private and public-public partnerships.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements for this Statement are effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating what effect, if any, the adoption of GASB No. 96 will have on the District's financial statements.

GASB Statement No. 99, *Omnibus 2022 will be effective in fiscal years between June 30, 2022 and 2024*, depending on the topics addressed and their relation to other standards. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, will be effective for fiscal years beginning after June 15, 2023. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting - understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

I. New Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years beginning after December 15, 2023. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered; (b) the leave accumulates; and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. It requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

J. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Restatement of Net Position Beginning Balances: As of July 1, 2021, the District restated the governmental activities, business-type activities, and food service fund net positions. The governmental activities restatement was done to modify the asset depreciable life ranges to be within normally recognized ranges. This resulted in a decrease to governmental activities net position of \$8,211,732. The business-type and food service fund restatement was done to remove supply inventory. This resulted in a decrease to business type and food service fund net position of \$65,384.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 14, 2022, the date the financial statements were available to be issued. See Note 20.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 - The Federal Deposit Insurance Corporation (FDIC), or
 - The Federal Savings and Loan Insurance Corporation (FSLIC), or
 - The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania, or instrumentalities thereof, backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policy of the District adheres to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

Deposits: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. A summary of the District's deposits at June 30, 2022, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	Mid Penn
Uninsured, collateralized in accordance with Act 72	24,674,597	24,940,092	
	<u>\$ 24,924,597</u>	<u>\$ 25,190,092</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District currently does not have any investments that are measured at fair value.

At June 30, 2022, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund PSDMAX	AAAm	0.165	<u>\$ 325,394</u> <u>\$ 325,394</u>

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals. These investments qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79.

Weighted-Average Maturity: The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management monitors rates of returns for investments on a monthly basis and governance reviews investment returns on at least a quarterly basis.

Concentration of Credit Risk: The District places no limit on the amount they may invest in any one issuer. At June 30, 2022, the District does not have any concentration of credit risk in its investments.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments which are subject to custodial credit risk at June 30, 2022.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Real Estate Taxes

Based upon assessments provided by the County, the District bills and collects its own property taxes. The District tax rate for the year ended June 30, 2022, was 18.0669 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2022, follows:

July 1	Levy Date
July 1 - August 31	2% Discount Period
September 1 - October 31	Face Payment Period
November 1 - December 31	10% Penalty Period
January 1	Lien Date (Lancaster County Tax Claim Bureau)

Note 4. Taxes Receivable and Deferred Taxes

The District, in accordance with accounting principles generally accepted in the United States of America, recognizes delinquent and unpaid taxes receivable. All taxes are determined to be collectible. A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The balances at June 30, 2022, are as follows:

	Gross Taxes Receivable	Estimated Uncollectable	Net Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	\$ 445,439	\$ -	\$ 445,439	\$ 175,937	\$ 269,502
Earned Income Taxes	119,011	-	119,011	119,011	-
Realty Transfer Taxes	814,557	-	814,557	814,557	-
	<u>\$ 1,379,007</u>	<u>\$ -</u>	<u>\$ 1,379,007</u>	<u>\$ 1,109,505</u>	<u>\$ 269,502</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Activity

Interfund balances are as follows at June 30, 2022:

Fund	Interfund Receivables	Interfund Payables
Governmental Fund		
General Fund	\$ 92,496	\$ 11,676
Internal Service Fund	-	4
Proprietary Fund		
Food Service	11,676	92,338
Fiduciary Fund		
Student Activities	-	154
	\$ 104,172	\$ 104,172

All interfund receivable/payable balances resulted from time lags between the dates that (1) interfund goods and services were provided or expenditures/expenses were reimbursed; (2) transactions were recorded in the accounting system; and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Interfund transfers were as follows at June 30, 2022:

Fund	Transfers In	Transfers Out
Governmental Fund		
General Fund	\$ -	\$ 4,780,832
Capital Projects	500,000	-
Debt Service	4,280,832	-
	\$ 4,780,832	\$ 4,780,832

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the District. At June 30, 2022. The following amounts are due from other governmental units:

	Governmental Activities	Business-Type Activities
Local	\$ 567,774	\$ -
PA Department of Education		
Social Security	340,203	-
Retirement	1,629,706	-
Other	91,142	126
Federal Grants	270,537	3,882
	<u>\$ 2,899,362</u>	<u>\$ 4,008</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

Capital asset activity for governmental and business-type activities for the year ended June 30, 2022, was as follows:

	As Restated July 1, 2021	Additions	Deletions	June 30, 2022
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,095,713	\$ -	\$ -	\$ 1,095,713
Construction-in-progress	6,004,901	-	(6,004,901)	-
Total cost	7,100,614	-	(6,004,901)	1,095,713
Capital assets being depreciated				
Land improvements	6,901,960	-	-	6,901,960
Buildings and building improvements	97,437,357	6,433,462	-	103,870,819
Furniture and Equipment	5,754,608	186,724	-	5,941,332
Vehicles	410,921	46,400	-	457,321
Total cost	110,504,846	6,666,586	-	117,171,432
Accumulated Depreciation:				
Land Improvements	3,595,828	276,696	-	3,872,524
Buildings and improvements	37,371,503	4,472,117	-	41,843,620
Furniture and equipment	3,134,724	320,847	-	3,455,571
Vehicles	299,319	21,890	-	321,209
Total accumulated depreciation	44,401,374	5,091,550	-	49,492,924
Total capital assets being depreciated, net	66,103,472	1,575,036	-	67,678,508
Total Governmental Activities, Capital Assets - Net	\$ 73,204,086	\$ 1,575,036	\$ (6,004,901)	\$ 68,774,221
Business-Type Activities				
Capital assets being depreciated				
Equipment	\$ 77,507	\$ -	\$ -	\$ 77,507
Accumulated Depreciation				
Equipment	75,576	1,931	-	77,507
Net Capital Assets	\$ 1,931	\$ (1,931)	\$ -	\$ -

During 2022, the District restated its beginning accumulated depreciation balances to modify the asset depreciable life ranges to be within normally recognized ranges. This resulted in a decrease to net position of \$8,211,732.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

Depreciation expenses were charged to functions/programs of the primary government as follows:

	Amount
Governmental Activities	
Instructional Programs	\$ 3,689,424
Instructional student support	443,871
Administration and financial services	587,409
Operation and maintenance of plant services	264,047
Transportation	15,184
Student activities	91,615
Total governmental activities	<u>5,091,550</u>
Business-Type Activities	
Food service	1,931
Total School District	<u><u>\$ 5,093,481</u></u>

Note 8. Accrued Salaries and Benefits

At June 30, 2022, the District was liable for \$5,977,674 of payroll and benefits payable during July and August 2022, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2022, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and service stipends. The liability also includes accrued retirement which represents the PSERS contribution for the second quarter of the calendar year 2022.

Note 9. Unearned Revenues

Unearned revenue in the general fund consists of student activities funding, and grant funding, received, but not yet earned of \$296,736 as of June 30, 2022.

Unearned revenue in the food service fund consists of prepaid lunch sales and deferred revenue related to donated commodities of \$57,557 as of June 30, 2022.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Debt

Long-term obligation activity is summarized as follows:

	July 1, 2021	Increases	Decreases	June 30, 2022	Due within one year
Governmental Activities:					
General obligation debt	\$ 53,590,000	\$ 19,180,000	\$ 21,940,000	\$ 50,830,000	\$ 3,065,000
Bonds premiums (discounts)	2,075,872	674,111	778,027	1,971,956	-
Deferred loss (gain) on bond refunding	113,522	(386,876)	100,637	(373,991)	-
Compensated absences (see Note 1)	1,547,487	65,133	-	1,612,620	-
Total governmental activities	57,326,881	19,532,368	22,818,664	54,040,585	3,065,000

Currently, the District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2022, as follows:

Issue	Final Maturity	Interest Rates	Principal Outstanding June 30, 2022	Balance Due Within One Year
Series 2019	Feb 2025	2.00% - 4.00%	\$ 5,770,000	\$ 950,000
Series A of 2019	Aug 2043	1.20% - 4.00%	9,065,000	5,000
Series of 2020	Nov 2030	.64% - 4.00%	9,485,000	555,000
Series A of 2020	Nov 2030	.52% - 4.00%	7,490,000	745,000
Series of 2021	Nov 2032	.25% - 3.00%	5,100,000	100,000
Series A of 2021	Nov 2039	.25% - 4.00%	4,315,000	540,000
Series of 2022	Nov 2039	2.00% - 4.00%	9,605,000	170,000
			<u>\$ 50,830,000</u>	<u>\$ 3,065,000</u>

General Obligation Debt

The District issues general obligations to provide funds for major capital improvements. These bonds and notes are direct obligations and pledge the full faith and credit of the District.

General Obligation Bonds - Series of 2022 - On February 17, 2022, the District issued general obligation bonds, Series of 2022, in the amount of \$9,740,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series of 2017 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 2.00% to 4.00% with principal maturities from \$25,000 to \$1,190,000 each November 15 through 2039. The present value of the District's savings over the term of the bond amounts to \$2,802,996.

General Obligation Bonds - Series of 2021 - On December 2, 2021, the District issued general obligation bonds, Series of 2021, in the amount of \$5,110,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series of 2016 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.25% to 3.00% with principal maturities from \$5,000 to \$2,130,000 each November 15 through 2032. The present value of the District's savings over the term of the bond amounts to \$346,574.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Debt (Continued)

General Obligation Bonds - Series A of 2021 - On December 2, 2021, the District issued general obligation bonds, Series A of 2021, in the amount of \$4,330,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series A of 2016 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.25% to 4.00% with principal maturities from \$15,000 to \$580,000 each November 15 through 2039. The present value of the District's savings over the term of the bond amounts to \$1,446,683.

General Obligation Bonds - Series A of 2020 - On August 18, 2020, the District issued general obligation bonds, Series A of 2020, in the amount of \$9,995,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series A of 2015, and a partial refunding of Series of 2012, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.52% to 4.00% with principal maturities from \$25,000 through \$1,450,000 each November 15 through 2030. The difference between the cash flows required to service the refinanced debt and the new debt amounts to \$576,531. The present value of the District's savings over the term of the bond amounts to \$507,630.

General Obligation Bonds - Series of 2020 - On July 28, 2020, the District issued general obligation bonds, Series of 2020, in the amount of \$9,995,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series of 2015 and a partial refunding of Series of 2012, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.64% to 4.00% with principal maturities from \$55,000 through \$1,590,000 each November 15 through 2030. The difference between the cash flows required to service the refinanced debt and the new debt amounts to \$730,091. The present value of the District's savings over the term of the bond amounts to \$634,889.

General Obligation Bonds - Series A of 2019 - On September 12, 2019, the District issued general obligation bonds, Series A of 2019, in the amount of \$9,075,000. The purpose of the bonds was to (1) finance the renovations for Elizabethtown Area Middle School and Rheems Elementary School, and (2) pay costs of issuing the bonds. The bonds bear interest rates ranging from 1.20% to 4.00% with principal maturities from \$5,000 to \$960,000.

General Obligation Bonds - Series of 2019 - On August 15, 2019, the District issued general obligation bonds, Series of 2019, in the amount of \$8,000,000. The purpose of the bonds was to provide funds for the refunding of the District's general obligation bonds, Series of 2013, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 2.00% to 4.00% with principal maturities from \$500,000 to \$1,600,000.

General Obligation Bonds - Series of 2017 - On May 9, 2017, the District issued general obligation bonds, Series of 2017, in the amount of \$9,525,000. The purpose of the bonds was to (1) finance the acquisition, design, construction, furnishing and equipping of improvements to Bainbridge Elementary School and other ongoing and proposed capital projects as determined by the District, and (2) pay costs expenses of issuing the bonds. The bonds bear interest rates ranging from 1.00% to 4.00% with principal maturities from \$5,000 to \$1,480,000. These bonds were refunded with the Series of 2022 bonds.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Debt (Continued)

General Obligation Bonds - Series of 2016 - On December 1, 2016, the District issued general obligation bonds, Series of 2016, in the principal amount of \$5,410,000. The purpose of the bonds was to (1) refund of the District’s outstanding general obligation bonds, Series of 2011 currently outstanding in the amount of \$5,230,000, and (2) pay costs, fees and expenses with respect to issuing the Series of 2016 bonds. The bonds bear interest rates ranging from .90% to 3.00% with principal maturities from \$15,000 to \$2,335,000. These bonds were refunded with the Series of 2021 bonds.

General Obligation Bonds - Series A of 2016 - On December 1, 2016, the District issued general obligation bonds, Series A of 2016, in the principal amount of \$4,585,000. The purpose of the bonds was to (1) finance the acquisition, design, construction, furnishing and equipping of improvements to Bainbridge Elementary School and other ongoing and proposed capital projects as determined by the District, and (2) pay costs expenses of issuing the bonds. The bonds bear interest rates ranging from .90% to 4.00% with principal maturities from \$40,000 to \$1,835,000. These bonds were refunded with the Series A of 2021 bonds.

Aggregate annual debt service requirements to maturity for the above governmental general debt obligations are as follows:

Year	Bonds		Minimum Debt Service
	Principal	Interest	
2023	\$ 3,065,000	\$ 1,404,895	\$ 4,469,895
2024	3,290,000	1,281,854	4,571,854
2025	3,525,000	1,158,335	4,683,335
2026	3,745,000	1,039,913	4,784,913
2027	2,685,000	941,538	3,626,538
2028-2032	13,590,000	3,797,575	17,387,575
2033-2037	10,595,000	2,302,350	12,897,350
2038-2042	8,455,000	930,400	9,385,400
2043-2047	1,880,000	76,000	1,956,000
	<u>\$ 50,830,000</u>	<u>\$ 12,932,860</u>	<u>\$ 63,762,860</u>

The District pays the long-term obligations of the governmental activities from the general fund; debt service is liquidated via transfers to the debt service fund. Long-term obligations of the business-type activities are paid from the food service fund.

Interest and debt insurance costs incurred during the year ended June 30, 2022 were \$2,194,943, all of which was charged to expense

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members, whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Contributions

Member Contributions:

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T- C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T- C	On or after July 22, 1983	6.25%	N/A	6.25%
T- D	Prior to July 22, 1983	6.50%	N/A	6.50%
T- D	On or after July 22, 1983	7.50%	N/A	7.50%
T- E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	7.50%
T- F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T- G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T- H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%
Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T- E	7.50%	+ / - 0.50%	5.50%	9.50%
T- F	10.30%	+ / - 0.50%	8.30%	12.30%
T- G	5.50%	+ / - 0.75%	2.50%	8.50%
T- H	4.50%	+ / - 0.75%	1.50%	7.50%

Employer Contributions:

The District’s contractually required contribution rate for the fiscal year ended June 30, 2022, was 34.14% 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. Included in the District’s contractually required contribution rate is the Act 5 contribution rate totaling an estimated .15 percent.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total District’s rate. The District’s contributions to the Plan, relating to pension benefits, for the year ended June 30, 2022, was \$9,744,000, and is equal to the required contribution for the year. For the year ended June 30, 2022, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$5,013,325.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2022, the District reported a liability of \$90,982,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District’s reported proportion was .2216 percent, which was an increase of .0224 percent from its proportion reported as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$5,494,700. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,000	\$ 1,195,000
Changes in assumptions	4,413,000	-
Net difference between projected and actual investment earnings	-	14,482,000
Changes in proportions	17,453,000	5,421,000
Difference between employer contributions and proportionate share of total contributions	17,000	-
Contributions subsequent to the measurement date	9,744,000	-
	<u>\$ 31,694,000</u>	<u>\$ 21,098,000</u>

\$9,744,000 is 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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30:	Amount
2023	\$ 287,000
2024	1,265,000
2025	3,978,000
2026	(4,678,000)
	<u>\$ 852,000</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2021, was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2020.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

Investments

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	<u>100.0%</u>	

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Investments (Continued)

For the year ended June 30, 2021, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2021.

Discount Rate

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

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 119,417,000	\$ 90,982,000	\$ 66,995,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2022, the District reported a payable to PSERS of \$3,171,805, which represents the employer contributions owed to the pension plan.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan

Plan Description

The District provides retiree health, vision and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the plan are summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
ALL EMPLOYEES	ACT 110/43	Act 110-43	Member can continue coverage until Medicare age. Spouse can continue coverage until earlier of member or spouse Medicare age.
<p><i>Notes:</i></p>	<p>Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.</p> <p>Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of</p> <p>PSERS Supplement: A retiree may receive a \$ 100 monthly medical reimbursement from PSERS if he (or she) meets one of the following qualifications at retirement:</p> <ol style="list-style-type: none"> 1) 24.5 years of PSERS service 2) Upon superannuation retirement with at least 15 years of PSERS service <p>PSERS Superannuation Retirement:</p> <ol style="list-style-type: none"> 1) Pension Class T-C or T-D: An employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011. 2) Pension Class T-E or T-F: An employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019. 3) Pension Class T-G: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019. 4) Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years if PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019. 		

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Employees Covered by the Benefit Terms

As of the July 1, 2021, actuarial valuation, the following participants were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	25
Inactive Employees Entitled to but not yet Receiving Benefits	-
Active Employees	400
	<u>425</u>

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

At June 30, 2022, the District's reported a liability of total OPEB liability of \$3,057,981 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2020. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 4,936,372
Changes for the year	
Service cost	152,526
Interest	171,411
Changes of benefit terms	-
Differences between expected and actual experience	(1,765,747)
Changes in assumptions	(206,227)
Benefit payments	(230,354)
Other Changes	-
Net Changes	<u>(1,878,391)</u>
Total OPEB Liability, ending	<u>\$ 3,057,981</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$304,209. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,431,049
Changes in assumptions	1,601,393	190,363
Benefit payments subsequent to the measurement date	130,276	-
	<u>\$ 1,731,669</u>	<u>\$ 2,621,412</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$130,276 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Total</u>
2023	\$ (19,728)
2024	(19,728)
2025	(19,728)
2026	(19,728)
2027	(19,728)
Thereafter	(921,379)
	<u>\$ (1,020,019)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%.
- Salary Increases - 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Investment rate of return - 2.28%. Based on S&P Municipal Bond 20-year High Grade Rate Index at 7/1/2021.
- Health care cost trend rate - 5.5% in 2021 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees' Share of Benefit Related Costs - Retiree contributions are assumed to increase at the same rate as Health Care Cost Trend Rate.
- Mortality rates are separate and assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District’s Single Employer Plan (Continued)

Sensitivity of the District’s Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District calculated using the discount rate of 2.28%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.28%) or one percentage higher (3.28%) than the current rate:

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
Total OPEB liability	\$ 3,270,089	\$ 3,057,981	\$ 2,855,475

The discount rate used to measure the Total OPEB liability decreased from 3.50% as of July 1, 2020 to 2.28% as of July 1, 2021.

Sensitivity of the District’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District calculated using the health care cost trend rate of (5.5% in 2020 decreasing to 4.0% in 2075), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one-percentage point lower or one-percentage higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 2,728,281	\$ 3,057,981	\$ 3,448,962

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan

Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Plan Description (Continued)

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

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

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, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2022, was 0.80% 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 \$228,000 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$5,251,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District's reported proportion was .2215 percent, which was an increase of .0293 percent from its proportion reported as of June 30, 2021.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2022, the District recognized OPEB expense of \$586,100. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,000	\$ -
Changes in assumptions	559,000	70,000
Net difference between projected and actual investment earnings	10,000	-
Changes in proportion	933,000	373,000
Difference between employer contributions and proportionate share of total contributions	45,400	319,500
Contributions subsequent to the measurement date	228,000	-
	<u>\$ 1,824,400</u>	<u>\$ 762,500</u>

\$228,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	Amount
2023	\$ 99,700
2024	81,200
2025	120,500
2026	163,300
2027	158,200
Thereafter	211,000
	<u>\$ 833,900</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2020.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%
- The discount rate used to measure the total OPEB liability decreased from 2.66% as of June 30, 2020 to 2.18%, as of June 30, 2021.

The actuarial assumptions used in the June 30, 2020, valuation, were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019, determined the employer contribution rate for fiscal year 2021.
- 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 Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Investments

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.10%
US Core Fixed Income	17.5%	0.70%
Non-US Developed Fixed	2.7%	-0.30%
	<u>100.0%</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 of June 30, 2021.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

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

The following presents the District’s proportionate share of the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.18%) or one percentage point higher (3.18%) than the current discount rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	\$ 6,026,000	\$ 5,251,000	\$ 4,612,000

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7%) that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,250,000	\$ 5,251,000	\$ 5,251,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2022, the District reported a payable to PSERS of \$74,325, which represents the employer contributions owed to the OPEB plan.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management

Health Insurance

The District self-insures medical and prescription benefits for eligible employees and their dependents. The claims for these self-insured benefits are processed by the District's third-party administrator. The District remits funds to the third-party administrator. The third-party administrator invoices the District weekly for paid claims. The District was limited in liability to \$195,000 per individual and \$6,541,756 in total for medical and prescription claims for the year ended June 30, 2022. The District has recorded a liability for claims incurred prior to June 30, 2022, and paid subsequently in the amount of \$861,710.

The District's obligation for health claims incurred by participants are estimated as claims paid after year end that have service dates during the reporting period, and adding an additional reserve for unreported claims which is determined by the third-party administrator. The claim liability is reflected in accounts payable in the internal service fund on the statement of net position - proprietary funds.

The change in claim aggregate claim liabilities are as follows:

	June 30, 2022	June 30, 2021
Claim Liability - Beginning of the Year	\$ 655,867	\$ 400,234
Current Year Claims and Change in Estimates	7,359,274	6,553,321
Claim Payments by School District	(7,153,431)	(6,297,688)
Claim Liability - End of the Year	\$ 861,710	\$ 655,867

Worker's Compensation

The District is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund) which is a cooperative voluntary trust arrangement for 16-member school districts and the Lancaster-Lebanon Intermediate Unit and the Lancaster County Academy. This agreement states that the District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses, and providing self-insurance and reinsurance thereof. It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance.

As of June 30, 2022, the District is not aware of any additional assessments relating to the Fund.

ELIZABETHAREA TOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management (Continued)

Other Risks

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2022, and the two previous fiscal years, no settlements exceeded insurance coverage.

The District fully insures dental benefits for employees electing coverage.

Note 15. Fund Balance Components

Non-spendable fund balances consist of amounts that are not in spendable form or are legally or contractually required to be maintained intact.

General fund - nonspendable prepaid expenses	\$ 17,639
General fund - nonspendable inventories	128,035
	<u>\$ 145,674</u>

Restricted fund balance is restricted by a third party.

Capital project fund - future capital projects as restricted by debt covenants	\$ 4,946,294
Capital project fund - restricted by commonwealth legislation	3,298,226
	<u>\$ 8,244,520</u>

Committed fund balances represents fund balances that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. At June 30, 2022, the District has included the following as committed fund balances:

General fund - committed to safety and security infrastructure	<u>\$ 400,000</u>
--	-------------------

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or a body to which the governing body delegates the authority.

General fund - assigned for future facility improvements	\$ 5,200,000
General fund - assigned for increase cyber school costs	700,000
	<u>\$ 5,900,000</u>

ELIZABETHAREA TOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. Components of Net Position

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that is attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to capital assets or related debt are also included in this component of net position.

The restricted component of net position consists of the resources of the District's capital reserve fund, which pursuant to Commonwealth legislation, may only be spent for capital improvements; replacement of, addition to and improvement to public works; deferred maintenance and the replacement of school buses. The Pennsylvania Department of Education has determined that new construction and the associated debt service may also be accounted for in the capital reserve fund.

Note 17. Commitments, Contingencies and Uncertainties

Grant Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Legal Matters

The District is involved in claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

Transportation Contract

The District has entered into an agreement for the transportation of school pupils with Durham School Services. This Agreement is for the period of July 1, 2018 through June 30, 2023. The contractor provides all equipment and labor necessary. The cost for the transportation services will be determined based on rate schedules included in the contract, which are subject to annual increases of 3% for the duration of the contract. The District incurred approximately \$1,942,000 in related expenditures for the year ended June 30, 2022.

Collective Bargaining Agreement

The District has entered into a collective bargaining agreement with the Elizabethtown Area Education Association. The Agreement in effect is for the period of July 1, 2020 through June 30, 2025. The Agreements stipulates the overall working conditions as well as the provisions for wages and employee benefits for the District's professional staff for the term of the contract.

ELIZABETHAREA TOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 18. Tax Abatements

The District is a local taxing authority, authorized by the Local Economic Revitalization Tax Assistance Act (LERTA) to provide tax exemption for new construction in deteriorated areas of economically depressed communities and for improvements to certain deteriorated industrial, commercial, and other business properties to encourage development and job growth within the District. The District, in conjunction with the county and municipal taxing authorities, approved eligible areas on July 9, 2018 and on June 25, 2019. Applications for exemption must be made within five years of the effective date of the School Board's approval of the area. The property tax abatement in year 1 is equal to 100% of the real property tax on the assessed value of the property improvement to the deteriorated property. The percentage of tax abatement declines in increments of 10% from years 2 through 10. Exemption is revoked and forfeited for failure by the property owner to pay any nonexempt real estate taxes by the last day of the time period to pay such taxes in the penalty period.

For the year ended June 30, 2022, the District abated approximately \$807,000 of property taxes under these agreements.

Note 19. Payments in LIEU of Taxes

The District, as a taxing Authority, is permitted to accept payment in lieu of taxes (PILOT) from charitable organizations owning exempt real estate within its boundaries. The District, in 2008, entered into a 20-year agreement with a charitable organization that provides for PILOT of approximately \$804,000 in the initial year escalating to approximately \$1,049,000 in the final year of the agreement. The receipt from this agreement, along with other PILOT receipts, is recorded as unrestricted contributions of the governmental activities in the statement of activities.

Note 20. Subsequent Events

In September 2022, the District approved the auction sales of 3 properties located at 130 Alida Street, 35 Elm Avenue, and 809 Mill Road. All sales are expected to be closed by the end of 2022.

In October 2022, the District executed a 60-month lease agreement for office equipment with a value of approximately \$250,000.

REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTOWN AREA SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Revenues				
Local sources				
Real estate taxes	\$ 40,646,222	\$ 40,646,222	\$ 41,204,229	\$ 558,007
Other taxes	5,189,072	5,189,072	6,108,828	919,756
Investment earnings	200,000	200,000	90,763	(109,237)
Other revenue	1,391,000	1,391,000	1,666,186	275,186
Total local sources	47,426,294	47,426,294	49,070,006	1,643,712
State sources	20,188,362	20,188,362	20,696,811	508,449
Federal sources	1,140,400	1,140,400	1,752,671	612,271
Total revenues	68,755,056	68,755,056	71,519,488	2,764,432
Expenditures				
Instructional services				
Regular programs	31,074,999	31,047,114	30,739,142	307,972
Special programs	10,259,109	10,259,109	10,560,945	(301,836)
Vocational programs	1,859,080	1,859,080	2,235,807	(376,727)
Other instructional programs	366,856	366,856	362,243	4,613
Nonpublic school programs	20,000	20,000	27,543	(7,543)
Total instructional services	43,580,044	43,552,159	43,925,680	(373,521)
Support services				
Pupil personnel	2,717,782	2,717,794	2,898,229	(180,435)
Instructional staff	764,386	762,846	986,106	(223,260)
Administrative	3,887,929	3,887,699	3,993,207	(105,508)
Pupil health	777,408	777,408	889,273	(111,865)
Business	927,986	927,986	1,159,928	(231,942)
Operation of plant and maintenance	5,044,347	5,053,422	5,313,753	(260,331)
Student transportation	2,724,423	2,724,423	2,470,012	254,411
Central and other business	1,813,813	1,834,381	1,753,815	80,566
Total support services	18,658,074	18,685,959	19,464,323	(778,364)
Non-instructional services				
Student activities	1,190,918	1,190,918	1,135,432	55,486
Community service	44,259	44,259	5,144	39,115
Total non-instructional services	1,235,177	1,235,177	1,140,576	94,601
Total expenditures	63,473,295	63,473,295	64,530,579	(1,057,284)
Excess of revenues over expenditures	5,281,761	5,281,761	6,988,909	1,707,148
Other Financing Sources (Uses)				
Transfers out	(4,800,700)	(4,800,700)	(4,780,832)	19,868
Refund of prior years' expenditures	15,000	15,000	-	(15,000)
Refund of prior years' receipts	-	-	(8,664)	(8,664)
Budgetary reserve	(500,000)	(500,000)	-	500,000
Total other financing sources (uses)	(5,285,700)	(5,285,700)	(4,789,496)	496,204
Net changes in fund balance	\$ (3,939)	\$ (3,939)	2,199,413	\$ 2,203,352
Fund Balance - July 1, 2021			9,598,730	
Fund Balance - June 30, 2022			<u>\$ 11,798,143</u>	

See Notes to Required Supplementary Information.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgets and Budgetary Accounting General Fund

Elizabethtown Area School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by the PDE. Prior to that deadline, management submits to the School Board, for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The School Board determines if it will approve a resolution to keep any tax increase below the index.
2. If the School Board adopts the resolution, management submits prior to May 31 to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. A public hearing is conducted to obtain taxpayer comments.
4. If the School Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
5. Prior to June 30, the budget is legally enacted through adoption of a resolution.
6. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
7. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2022.
9. The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.
10. Where applicable, unbudgeted federal and state revenues and expenditures have been added to the original budgeted revenues and expenditures.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.2216%	\$ 90,982,000	\$ 31,404,698	289.71%	63.67%
2021	0.1992%	\$ 98,059,000	\$ 27,891,412	351.57%	54.32%
2020	0.1966%	\$ 91,975,000	\$ 27,120,360	339.14%	55.66%
2019	0.1946%	\$ 93,418,000	\$ 26,207,769	356.45%	54.00%
2018	0.1887%	\$ 93,181,000	\$ 25,123,007	370.90%	51.84%
2017	0.1939%	\$ 96,091,000	\$ 25,106,006	382.74%	50.14%
2016	0.1849%	\$ 80,090,261	\$ 23,830,686	336.08%	54.36%
2015	0.1833%	\$ 72,551,711	\$ 23,392,576	310.15%	57.24%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PENSION CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 9,744,180	\$ (9,744,180)	\$ -	\$ 27,516,092	35.41%
2021	\$ 9,526,765	(9,526,765)	-	\$ 28,147,925	33.51%
2020	\$ 9,304,575	(9,304,575)	-	\$ 27,891,412	33.36%
2019	\$ 8,856,510	(8,856,510)	-	\$ 27,120,360	32.60%
2018	\$ 8,257,531	(8,257,531)	-	\$ 26,207,769	31.74%
2017	\$ 7,246,281	(7,246,281)	-	\$ 25,123,007	29.20%
2016	\$ 6,147,137	(6,147,137)	-	\$ 25,106,006	25.00%
2015	\$ 4,766,705	(4,766,705)	-	\$ 23,830,686	20.50%
2014	\$ 3,743,461	(3,743,461)	-	\$ 23,392,576	16.00%
2013	\$ 2,599,517	(2,599,517)	-	\$ 22,601,376	11.50%
2012	\$ 1,713,123	(1,713,123)	-	\$ 21,414,031	8.00%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT'S SINGLE EMPLOYER PLAN
Last 10 Fiscal Years**

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 152,526	\$ 161,501	\$ 152,429	\$ 158,218	\$ 163,981
Interest	171,411	167,910	126,146	123,396	129,777
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,765,747)	-	(1,012,390)	-	(205,077)
Changes in assumptions	(206,227)	-	1,519,399	-	1,050,843
Benefit payments	(230,354)	(219,444)	(175,641)	(198,457)	(173,329)
Other Changes	-	-	-	-	-
Net change in total OPEB liability	(1,878,391)	109,967	609,943	83,157	966,195
Total OPEB Liability - beginning	4,936,372	4,826,405	4,216,462	4,133,305	3,167,110
Total OPEB Liability - ending	\$ 3,057,981	\$ 4,936,372	\$ 4,826,405	\$ 4,216,462	\$ 4,133,305
Covered payroll	\$ 26,920,136	\$ 24,773,177	\$ 24,168,953	\$ 24,341,850	\$ 23,748,146
Net OPEB liability as a percentage of covered payroll	11.36%	19.93%	19.97%	17.32%	17.40%

Notes to Schedule:

For the fiscal year ended June 30, 2022:

Changes in assumptions: The discount rate changed from 3.50% to 2.28%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.2215%	\$ 5,251,000	\$ 31,404,698	16.72%	5.30%
2021	0.1922%	\$ 4,304,000	\$ 27,891,412	15.43%	5.69%
2020	0.1966%	\$ 4,181,000	\$ 27,120,360	15.42%	5.56%
2019	0.1946%	\$ 4,057,000	\$ 26,207,769	15.48%	5.56%
2018	0.1887%	\$ 3,845,000	\$ 25,123,007	15.30%	5.73%
2017	0.1939%	\$ 4,177,000	\$ 25,106,006	16.64%	5.47%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 228,335	\$ (228,335)	\$ -	\$ 27,516,092	0.83%
2021	\$ 232,000	\$ (232,000)	\$ -	\$ 28,147,925	0.82%
2020	\$ 234,000	\$ (234,000)	\$ -	\$ 27,891,412	0.84%
2019	\$ 225,000	\$ (225,000)	\$ -	\$ 27,120,360	0.83%
2018	\$ 217,000	\$ (217,000)	\$ -	\$ 26,207,769	0.83%
2017	\$ 209,000	\$ (209,000)	\$ -	\$ 25,123,007	0.83%
2016	\$ 213,000	\$ (213,000)	\$ -	\$ 25,106,006	0.85%
2015	\$ 215,000	\$ (215,000)	\$ -	\$ 23,830,686	0.90%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

Year Ended June 30, 2022

	Capital Reserve	2019 Bond Construction	Total Capital Projects
Assets			
Cash and cash equivalents	\$ 3,272,243	\$ 4,946,294	\$ 8,218,537
Prepaid expenses	59,782	-	59,782
Total assets	\$ 3,332,025	\$ 4,946,294	\$ 8,278,319
Liabilities			
Accounts payable	\$ 33,799	\$ -	\$ 33,799
Total liabilities	33,799	-	33,799
Fund Balances			
Restricted	3,298,226	4,946,294	8,244,520
Total fund balances	3,298,226	4,946,294	8,244,520
Total liabilities and fund balances	\$ 3,332,025	\$ 4,946,294	\$ 8,278,319

ELIZABETHTOWN AREA SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CAPITAL PROJECTS FUND
Year Ended June 30, 2022**

	Capital Reserve	2019 Bond Construction	Total Capital Projects
Revenues			
Local sources:			
Investments earnings	\$ 10,580	\$ 16,735	\$ 27,315
Expenditures			
Support Services	425,629	-	425,629
Facilities acquisition, construction and improvement services	319,348	64,526	383,874
Total expenditures	<u>744,977</u>	<u>64,526</u>	<u>809,503</u>
Deficiency of revenues over expenditures	(734,397)	(47,791)	(782,188)
Other Financing Sources (Uses)			
Transfers in	500,000	-	500,000
Refund of prior year expenditures	-	14,400	14,400
Total other financing sources	<u>500,000</u>	<u>14,400</u>	<u>514,400</u>
Net changes in fund balances	(234,397)	(33,391)	(267,788)
Fund Balances:			
July 1, 2021	3,532,623	4,979,685	12,812,807
June 30, 2022	<u>\$ 3,298,226</u>	<u>\$ 4,946,294</u>	<u>\$ 8,244,520</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUND

June 30, 2022

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Student Activity Fund	Total Custodial Fund
Assets						
Cash and cash equivalents	\$ 331,634	\$ 398	\$ 19,640	\$ 79,562	\$ 103,131	\$ 534,365
Total assets	331,634	398	19,640	79,562	103,131	534,365
Liabilities						
Accounts payable	3,500	-	-	-	755	4,255
Due to other funds	-	-	-	-	154	154
Total Liabilities	3,500	-	-	-	909	4,409
Net Position						
Restricted for:						
Held in trust for scholarships	103,134	-	-	-	-	103,134
Held in trust for health programs	-	398	-	-	-	398
Endowments	225,000	-	19,640	79,562	-	324,202
Student activities	-	-	-	-	102,222	102,222
Total net position	328,134	398	19,640	79,562	102,222	529,956
Total liabilities and net position	\$ 331,634	\$ 398	\$ 19,640	\$ 79,562	\$ 103,131	\$ 534,365

ELIZABETHTOWN AREA SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND

Year Ended June 30, 2022

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Student Activity Fund	Total Custodial Fund
Additions						
Gifts and contributions	\$ 7,775	\$ -	\$ -	\$ 1,000	\$ -	\$ 8,775
Fees and collections	-	-	-	-	101,617	101,617
Investment earnings	1,129	1	65	268	-	1,463
Total additions	8,904	1	65	1,268	101,617	111,855
Deductions						
Student activity expenses	-	-	-	-	108,182	108,182
Scholarship awarded	14,524	-	-	2,000	-	16,524
Total deductions	14,524	-	-	2,000	108,182	124,706
Changes in net position	(5,620)	1	65	(732)	(6,565)	(12,851)
Net Position:						
July 1, 2021	333,754	397	19,575	80,294	108,787	542,807
June 30 2022	<u>\$ 328,134</u>	<u>\$ 398</u>	<u>\$ 19,640</u>	<u>\$ 79,562</u>	<u>\$ 102,222</u>	<u>\$ 529,956</u>

SUPPLEMENTARY INFORMATION

**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
Elizabethtown Area School District
Elizabethtown, 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 Elizabethtown Area School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 14, 2022

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

Board of School Directors
Elizabethtown Area School District
Elizabethtown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Elizabethtown Area School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 14, 2022

ELIZABETHTOWN AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency(ies) identified that is not considered to be a material weakness(es)? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency(ies) identified that is not considered to be a material weakness (es)? ___ Yes X None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3? ___ Yes X No

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Program/Cluster
10.555	Child Nutrition Cluster - National School Lunch Program
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - Food Donation
10.555	Child Nutrition Cluster - COVID-19 - National School Lunch Program - SNP Emergency Operating Costs
10.555	Child Nutrition Cluster - COVID-19 - School Breakfast Program - Supply Chain Assistance

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? ___ Yes X No

ELIZABETHTOWN AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

ELIZABETHTOWN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Grantor Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2021	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2022	Provided to Subrecipients
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I- Grants to Local Educational Agencies	84.010	013-220135	21-22	\$ 519,310	\$ 414,176	\$ -	\$ 517,554	\$ 517,554	\$ 103,378	\$ -
Title I- Grants to Local Educational Agencies	84.010	013-210135	20-21	\$ 397,765	21,346	2,998	18,348	18,348	-	-
					<u>435,522</u>	<u>2,998</u>	<u>535,902</u>	<u>535,902</u>	<u>103,378</u>	<u>-</u>
Title II- Supporting Effective Instruction State Grants	84.367	020-220135	21-22	\$ 101,442	102,086	-	97,987	97,987	(4,099)	-
Title II- Supporting Effective Instruction State Grants	84.367	020-210135	20-21	\$ 81,644	(1,883)	(3,474)	1,591	1,591	-	-
Title II- Teacher in the Workplace	84.367	220-200135	19-21	\$ 25,000	15,909	2,359	13,550	13,550	-	-
					<u>116,112</u>	<u>(1,115)</u>	<u>113,128</u>	<u>113,128</u>	<u>(4,099)</u>	<u>-</u>
Title IV - Student Support and Academic Enrichment Program	84.424	144-220135	21-22	\$ 29,842	29,825	-	29,842	29,842	17	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-210135	20-21	\$ 35,366	7,073	(1,309)	8,382	8,382	-	-
					<u>36,898</u>	<u>(1,309)</u>	<u>38,224</u>	<u>38,224</u>	<u>17</u>	<u>-</u>
COVID-19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	200-210135	20-23	\$ 1,465,367	1,016,790	476,522	558,656	558,656	18,388	-
COVID-19 ARP Elementary & Secondary School Emergency	84.425U	223-210135	20-24	\$ 2,964,013	215,565	-	-	-	(215,565)	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Learning Loss Set Aside	84.425U	225-210135	20-24	\$ 164,550	8,975	-	-	-	(8,975)	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Summer School Set Aside	84.425U	225-210135	20-24	\$ 32,910	1,795	-	18,250	18,250	16,455	-
COVID-19 ARP Elementary & Secondary School Emergency 7% After School Set Aside	84.425U	225-210135	20-24	\$ 32,910	1,795	-	-	-	(1,795)	-
					<u>12,565</u>	<u>-</u>	<u>18,250</u>	<u>18,250</u>	<u>5,685</u>	<u>-</u>
COVID-19 ARP Elementary & Secondary School Emergency Homeless Children and Youth	84.425W	181-212134	21-24	\$ 25,721	1,979	-	11,277	11,277	9,298	-
COVID-19 - Education Stabilization Fund/COVID -19 SECIM	84.425C	252-200135	20-21	\$ 37,134	27,362	(3,105)	30,467	30,467	-	-
Total passed through the Pennsylvania Department of Education					<u>1,862,793</u>	<u>473,991</u>	<u>1,305,904</u>	<u>1,305,904</u>	<u>(82,898)</u>	<u>-</u>
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 - Education Stabilization Fund/PCCDP Phase II	84.425D	2020-ES-01-35327	20-22	\$ 115,978	2,283	2,283	113,695	113,695	113,695	-
Passed through the Lancaster-Lebanon Intermediate Unit # 13										
Special Education Cluster										
Special Education Grants to States	84.027	062-180013	21-22	\$ 657,054	657,054	-	657,054	657,054	-	-
Special Education Preschool Grants	84.173A	131-180013	21-22	\$ 3,349	3,349	-	3,349	3,349	-	-
Total Special Education Cluster passed through the Lancaster-Lebanon Intermediate Unit # 13					<u>660,403</u>	<u>-</u>	<u>660,403</u>	<u>660,403</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education					<u>2,525,479</u>	<u>476,274</u>	<u>2,080,002</u>	<u>2,080,002</u>	<u>30,797</u>	<u>-</u>

(Continued)

ELIZABETHTOWN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2022

Grantor Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2021	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2022	Provided to Subrecipients
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare										
Medicaid Cluster										
Medical Assistance Program	93.778	N/A	21-22	N/A	23,956	14,294	18,967	18,967	9,305	-
Total U.S. Department of Health and Human Services					23,956	14,294	18,967	18,967	9,305	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program *	10.555	N/A	21-22	N/A	1,379,532	31,472	1,350,715	1,350,715	2,655	-
School Breakfast Program *	10.553	N/A	21-22	N/A	236,782	6,499	231,510	231,510	1,227	-
COVID-19 - National School Lunch Program - SNP Emergency Operating Costs	10.555	N/A	21-22	N/A	67,902	-	67,902	67,902	-	-
COVID-19 - School Breakfast Program - Supply Chain Assistance	10.555	N/A	21-22	N/A	90,598	-	90,598	90,598	-	-
					158,500	-	158,500	158,500	-	-
COVID -19- Pandemic EBT Local Admin Funds	10.649	N/A	21-22	N/A	614	-	614	614	-	-
Total passed through the Pennsylvania Department of Education					1,775,428	37,971	1,741,339	1,741,339	3,882	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donation	10.555	N/A	21-22	N/A	107,780	(47,590)	144,822	144,822	(10,548)	-
Total U.S. Department of Agriculture					1,883,208	(9,619)	1,886,161	1,886,161	(6,666)	-
Total Expenditures of Federal Awards					\$ 4,432,643	\$ 480,949	\$ 3,985,130	\$ 3,985,130	\$ 33,436	\$ -
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555 and 10.559)					\$ 1,882,594	\$ (9,619)	\$ 1,885,547	\$ 1,885,547	\$ (6,666)	\$ -
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)					\$ 660,403	\$ -	\$ 660,403	\$ 660,403	\$ -	\$ -
Education Stabilization Fund (Assistance Listing Number - 84.425)					\$ 1,276,544	\$ 475,700	\$ 732,345	\$ 732,345	\$ (68,499)	\$ -

See Notes to Schedule of Expenditures of Federal Awards.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the District's under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Access Program

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are Federal monies but are classified as fee-for-service revenues and are not considered Federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule for the year ended June 30, 2022, was \$314,106.

ELIZABETHTOWN AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2022

Financial Statement Findings

Material Weakness

Finding 2021-001 PSERS Actuarial Reporting - Pension and Other Post-Employment Benefits (OPEB)

Criteria: Accurate School District submission of employee census data to the Pennsylvania Public School Employee's Retirement System (PSERS) is necessary, as the employer contributions included with these submissions are used by the PSERS's actuary to calculate the District's annual allocation percentage of pension and OPEB liabilities, expenses, deferred inflows and outflows related to pension and OPEB.

Statement of Condition: During our audit, we determined that the PSERS's actuary used employer contribution figures, resulting from the District's submission of inaccurate employee census data identified in the prior audit that remained uncorrected. We worked with management to validate the actual contributions remitted to PSERS and used the total amount recalculate the District's allocation percentage of the PSERS pension and OPEB activity. The District reviewed the supporting analyses, evaluated the accuracy of the adjusting journal entries and has accepted responsibility for them.

Cause and Effect: When the monthly work report submission of employee data is inaccurate, it impacts the data used by the actuary to prepare the annual reporting required under GASB 68 and GASB 75 and does not provide the proper basis for preparation of financial statements.

Recommendation: Although the data submission errors appear to have been corrected in the current year, we recommend that management implement a second-level review of the work reports prior to submission to PSERS. This should include an overall reasonableness check of the total employer contributions as compared the current PSERS contribution rate applied to the monthly PSERS wages reported in the payroll system. Additionally, we recommend that the District continue to work directly with PSERS to determine if there was an impact on and resolve any differences within individual employee PSERS account balances.

Management Response: Since the errors in PSERS submissions were identified during the 2019-2020 school year, the District has put the following practices into place. The District accountant maintains a listing of every payroll noting employee and employer PSERS contributions. With the monthly employee withholding payments and the quarterly employer contributions, the District accountant ensures expected payment and contributions are noted and agreed to the PSERS online system. Finally, the quarterly retirement subsidy is calculated and the subsidy receipt is also noted and reconciled. These practices were effectively used during the entire 2020-2021 school year.

PSERS staff have affirmed the receipt of all payments and contributions (including the amended contributions) for the 2019-2020 as well as the 2020-2021 school year contributions. The District payroll and compensation coordinator is working with PSERS staff to ensure all employee contributions are attributed to the correct year for 2019-2020. This should ensure the actuarial reporting is correct moving forward.

Current Status: Corrective action has been taken in the fiscal year ended June 30, 2022.

ELIZABETHTOWN AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2022

Financial Statement Findings (Continued)

Significant Deficiencies

Finding 2021-002 - Internal Control Over Financial Reporting

Criteria: An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

Statement of Condition: The District has designated an individual responsible to oversee Trout CPA's preparation of the financial statements. The District has assumed responsibility for currently evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee is not experienced in preparing all of the required financial statements and the notes to the financial statements for the District in conformity with accounting principles generally accepted in the United States of America, which includes complex journal entries to prepare the government-wide financial statements and completion of the comprehensive disclosure checklist.

Cause and Effect: Although the District improved its ability to perform various analyses supporting the financial statements and reviewed the comprehensive disclosure checklist completed by Trout CPA, there continued to be a moderate level of reliance placed on the audit firm this year.

Recommendation: The District needs to annually perform a cost benefit analysis of having an individual in the Business Office with the expertise to draft the financial statements of the District. The District leadership has informed us that they continue to pursue steps to increase internal controls and ultimately reduce reliance on Trout CPA in this area.

Management Response: The District will continue the work with Trout CPA to grow experience and understanding of the District staff in the area of the requirements of the financial statements. This practice should provide additional understanding and competency as demonstrated through the improvement since the 2019-2020 school year audit.

Current Status: Corrective action has been taken in the fiscal year ended June 30, 2022.

ELIZABETHTOWN AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2022

Financial Statement Findings (Continued)

Significant Deficiencies (Continued)

Finding 2021-003 Year-End Close Process

Criteria: The financial closing process includes preparation of reconciliations, year-end accruals and adjusting journal entries. A well-designed financial closing process ensures that the accounting books and records are accurate, and that they provide the basis for preparation of financial statements.

Statement of Condition: During our audit, we identified significant adjusting journal entries that were needed in order for the financial statements to be prepared in conformity with generally accepted accounting principles. The District evaluated the accuracy of the adjusting journal entries and has accepted responsibility for them. The significant audit adjustments were as follows:

1. Adjusting the accounts payable within the general fund to reverse a tuition payable amount pertain to fiscal year 2022.
2. Adjusting the accounts payable within the general fund to increase accounts payable for Chromebooks ordered and received prior to year-end.
3. Adjusting deferred revenue and delinquent taxes for amounts still outstanding with the County and to adjust deferred revenue for social security subsidy received during the year.
4. Adjusting the debt service fund to record additional interest expense not initially recorded at time of debt refunding.
5. Adjusting the accrued interest and bond premium amounts within the government-wide financial statements.
6. Adjustment to accounts receivable within the general fund to reverse the Basic Education subsidy revenue recorded at year-end.

Cause and Effect: When the financial close process does not properly include all year-end accruals and adjusting journal entries, the accounting records do not provide the proper basis for preparation of financial statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2022

Financial Statement Findings (Continued)

Significant Deficiencies (Continued)

Finding 2021-003 Year-End Close Process (Continued)

Recommendation (Continued): We have the following recommendations which correspond to the items as noted above:

1. The District should review tuition invoices received near year-end to determine appropriate payable at year-end.
2. The District should review invoices to determine if acquired asset(s) were received prior to year-end.
3. The District should roll forward the opening deferred revenue balance to ensure amounts deferred in one year are either reversed when received or adjusted for the current year-end. The District should reconcile delinquent real estate taxes receivable to the amounts reported by the Tax Claim Bureau.
4. The District should review the debt documents in-depth to ensure the appropriate recording of debt refinancing, especially as it relates to the incorporation of accrued interest payable on debt issuances to be refinanced.
5. The District should review the accrued interest and bond premium analyses used to record debt activity within the government-wide financial statement so that the correct periods are used for interest accrual and premium amortization, respectively.
6. The District should analytically review the reasonableness of state revenue receipts after year-end to determine the appropriate period in which to record.

Management Response: The District will continue to refine the year-end close processes based on the recommendation above to further enhance these practices.

Current Status: Corrective action has been taken in the fiscal year ended June 30, 2022.