

# Elizabethtown Area School District

Year Ended June 30, 2019



CPAs | BUSINESS ADVISORS

SERVICE | ANSWERS | TRUST

# **Elizabethtown Area School District**

## **Financial Statements with Supplementary Information**

**Year Ended June 30, 2019**

### **TABLE of CONTENTS**

	<b>Page</b>
<b>Independent Auditors' Report</b>	1 - 3
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis	4 - 14
<b>Basic Financial Statements</b>	
Statement of Net Position	15 & 16
Statement of Activities	17 & 18
Balance Sheet - Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22 & 23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26 & 27
Statement of Net Position - Fiduciary Funds	28
Statement of Changes in Net Position - Fiduciary Funds	29
Notes to Financial Statements	30 - 65

# **Elizabethtown Area School District**

## **Financial Statements with Supplementary Information**

**Year Ended June 30, 2019**

### **TABLE of CONTENTS (Continued)**

	Page
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	66
Notes to Required Supplementary Information	67
Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability and Related Ratios - Single-Employer Defined Benefit OPEB Plan	68
Notes to Required Supplementary Information	69
Schedule of Employer Contributions - Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Plan	70
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability - Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Plan	71
Notes to Required Supplementary Information	72
Schedule of Employer Contributions - Public School Employees' Retirement System	73
Schedule of School District's Proportionate Share of the Net Pension Liability - Public School Employees' Retirement System	74
Notes to Required Supplementary Information	75
<b>Supplementary Information</b>	
Combining Balance Sheet - Capital Projects Fund	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Capital Projects Fund	77
Combining Statement of Fiduciary Net Position - Private Purpose Trust Fund	78

# **Elizabethtown Area School District**

## **Financial Statements with Supplementary Information**

**Year Ended June 30, 2019**

### **TABLE of CONTENTS (Continued)**

	Page
<b>Supplementary Information (Continued)</b>	
Combining Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund	79
Schedule of Expenditures of Federal Awards	80 - 82
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83 & 84
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	85 & 86
Schedule of Findings and Questioned Costs	87 - 90
Summary Schedule of Prior Audit Findings	91 & 92
Corrective Action Plan	93 - 95

## INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members  
**Elizabethtown Area School District**  
Elizabethtown, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Elizabethtown Area School District** (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**SERVICE | ANSWERS | TRUST**

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141

CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Elizabethtown Area School District** as of June 30, 2019, 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.

## **Prior Period Adjustment**

As described in Note 21 to the financial statements, **Elizabethtown Area School District** restated the fund balances of the general fund and enterprise fund-food service fund, as well as the net position of the governmental activities and business-type activities as of July 1, 2018. Our opinions are not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, budgetary comparison information on pages 66 and 67, other postemployment benefits (OPEB) health care benefits plan information on pages 68 through 72, and pension information on pages 73 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of **Elizabethtown Area School District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Elizabethtown Area School District's** internal control over financial reporting and compliance.

November 22, 2019  
Lancaster, Pennsylvania

*Trout, Ebersole & Groff, LLP*  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**Elizabethtown Area School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
Year Ended June 30, 2019

The discussion and analysis of the **Elizabethtown Area School District's** (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School 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 School 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 other financing uses in the general fund for the 2018-2019 fiscal year were budgeted at \$62,394,486. Revenues in the general fund for the 2018-19 fiscal year were budgeted at \$62,396,723 with an anticipated growth in fund balance of \$2,237. At year end, actual expenditures and net financing uses were \$62,368,638 which is very close to the budgeted amount. Actual revenues at year end were \$64,065,409, which lead to an actual growth in fund balance of \$1,696,771.

Revenues were greater than budgeted by \$1,668,686 or approximately 2.6%. Real estate tax collections were stronger than expected, coming in more than \$400,000 than were budgeted. This was the first year the School District has levied taxes since the recent reassessment by Lancaster County. In any reassessment year, there are many moving parts as appeals work themselves through the process. Interest earnings, due to rising interest rates, were more than \$300,000 above budget. The other large difference between budgeted and actual revenue was the result of refunds from prior year expenses for special education services with the Intermediate Unit in excess of \$500,000. Collectively, these three items explain most of the difference between budgeted and actual revenue. State revenue came in about \$181,000 less than was budgeted, while Federal revenue came in just over \$100,000 more than was budgeted.

### **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 School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School 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 School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others.

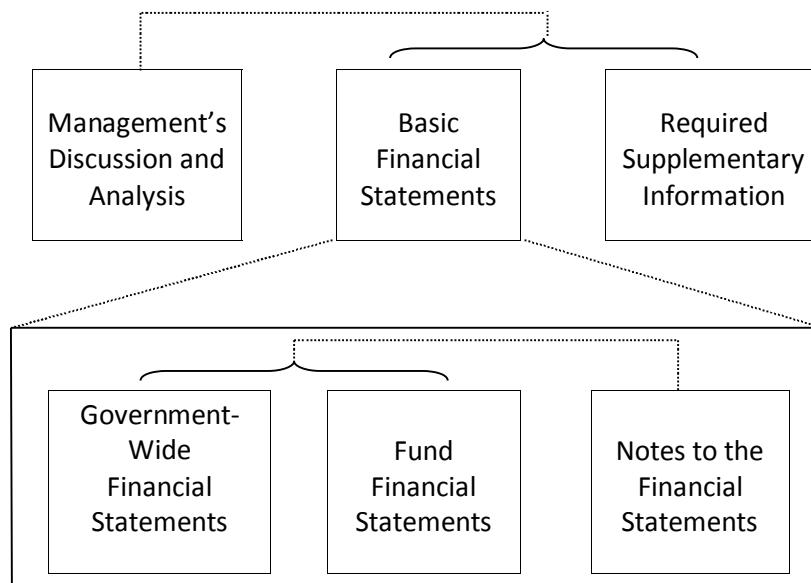
The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**Elizabethtown Area School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2019

**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'S DISCUSSION and ANALYSIS  
 (Continued)  
 Year Ended June 30, 2019

**Using this Annual Report (Continued)**

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School 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.

<b>Figure A-2</b> <b>Major Features of Elizabethtown Area School District's</b> <b>Government-Wide and Fund Financial Statements</b>				
		Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the School District operates similar to private business - food service and internal services funds	Instances in which the School District is the trustee or agent for someone else's resources - scholarship and activity funds
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'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2019

## **Overview of Financial Statements**

### **Government-Wide Statements**

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

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

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

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

- Governmental activities - All of the School 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 School 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 School District's fund financial statements, which begin on page 19, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the School 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 School 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 School 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'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2019

**Overview of Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

Proprietary funds - These funds are used to account for the School 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 School District charges customers for services it provides, whether to outside customers or to other units in the School District, these services are generally reported in proprietary funds. The food service fund is the School 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 School District's other proprietary fund is the internal service fund. This fund is used to facilitate the payments of actual claims incurred by the School District's self-funded medical plan. The School District contracts with a third-party administrator to process all claims and notify the School District on a weekly basis of the dollar amount of claims that are to be paid.

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship funds and student activity funds. All of the School 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 School District's other financial statements because the School District cannot use these assets to finance its operations.

**Financial Analysis of the School District as a Whole**

The School District's total net position for governmental activities was (\$45,583,579) as of June 30, 2019. The negative unrestricted net position is due to GASB 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of a \$92,470,000 net pension liability at June 30, 2019, and significant footnote disclosure found in Note 13.

**Elizabethtown Area School District**  
 MANAGEMENT'S DISCUSSION and ANALYSIS  
 (Continued)  
 Year Ended June 30, 2019

**Financial Analysis of the School District as a Whole (Continued)**

**Table A-1**  
**Fiscal Years Ended June 30, 2019 and 2018**  
**Net Position**

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	19,949,180	217,816	20,166,996	21,343,409	192,744	21,536,153
Capital Assets and Other Non-Current Assets	<u>79,448,900</u>	<u>2,109</u>	<u>79,451,009</u>	<u>80,176,388</u>	<u>2,197</u>	<u>80,178,585</u>
<b>Total Assets</b>	<b>99,398,080</b>	<b>219,925</b>	<b>99,618,005</b>	<b>101,519,797</b>	<b>194,941</b>	<b>101,714,738</b>
<b>Deferred Outflows of Resources</b>	<b>17,926,626</b>	<b>174,000</b>	<b>18,100,626</b>	<b>18,626,778</b>	<b>363,000</b>	<b>18,989,778</b>
Current and Other Liabilities	9,600,962	211,523	9,812,485	11,528,280	177,389	11,705,669
Long-Term Liabilities	<u>150,070,323</u>	<u>1,018,000</u>	<u>151,088,323</u>	<u>150,783,211</u>	<u>1,945,000</u>	<u>152,728,211</u>
<b>Total Liabilities</b>	<b>159,671,285</b>	<b>1,229,523</b>	<b>160,900,808</b>	<b>162,311,491</b>	<b>2,122,389</b>	<b>164,433,880</b>
<b>Deferred Inflows of Resources</b>	<b>3,237,000</b>	<b>658,600</b>	<b>3,895,600</b>	<b>2,873,000</b>	<b>54,000</b>	<b>2,927,000</b>
Net Position:						
Net Investment in Capital Assets	30,194,331	2,109	30,196,440	29,840,975	2,197	29,843,172
Restricted for Capital Projects	3,405,972	-0-	3,405,972	3,517,673	-0-	3,517,673
Unrestricted (Deficit)	(79,183,882)	(1,496,307)	(80,680,189)	(78,396,564)	(1,620,645)	(80,017,209)
<b>Total Net Position</b>	<b>(45,583,579)</b>	<b>(1,494,198)</b>	<b>(47,077,777)</b>	<b>(45,037,916)</b>	<b>(1,618,448)</b>	<b>(46,656,364)</b>

Most of the School 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 School District to report its proportionate share of the PSERS net pension liability as defined in GASB Statement No. 68. Note 13 of these financial statements further explains the defined benefit pension plan.

The results of this year's operations as a whole are reported in the statement of activities on pages 17 and 18. 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 School District's activities that are supported by other general revenues.

**Elizabethtown Area School District**  
 MANAGEMENT'S DISCUSSION and ANALYSIS  
 (Continued)  
 Year Ended June 30, 2019

**Financial Analysis of the School District as a Whole (Continued)**

The two largest general revenues are the local real estate taxes assessed to community taxpayers and basic education subsidy provided by the State 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, 2019 and 2018**  
**Changes in Net Position**

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	906,280	688,060	1,594,340	720,131	648,600	1,368,731
Operating Grants and Contributions	11,774,221	824,414	12,598,635	10,900,595	744,591	11,645,186
Capital Grants and Contributions	427,544	-0-	427,544	453,466	-0-	453,466
General Revenues:						
Property Taxes	35,084,221	-0-	35,084,221	33,366,164	-0-	33,366,164
Other Taxes	4,912,955	-0-	4,912,955	4,798,945	-0-	4,798,945
Unrestricted Grants and Subsidies	9,584,462	-0-	9,584,462	9,528,202	-0-	9,528,202
Unrestricted Contributions	959,108	-0-	959,108	949,611	-0-	949,611
Unrestricted Investment Earnings	509,411	1,392	510,803	323,971	127	324,098
Other General Revenues	319,534	-0-	319,534	66,791	-0-	66,791
Transfers	(16,797)	16,797	-0-	-0-	-0-	-0-
<b>Total Revenues</b>	<b>64,460,939</b>	<b>1,530,663</b>	<b>65,991,602</b>	<b>61,107,876</b>	<b>1,393,318</b>	<b>62,501,194</b>
<b>Expenses:</b>						
Instructional Programs	42,513,634	-0-	42,513,634	41,692,411	-0-	41,692,411
Instructional Student Support	4,493,077	-0-	4,493,077	4,055,485	-0-	4,055,485
Administrative, Financial, and Central Support Services	6,922,347	-0-	6,922,347	6,544,390	-0-	6,544,390
Operation and Maintenance of Plant Services	5,304,321	-0-	5,304,321	4,912,552	-0-	4,912,552
Pupil Transportation	2,751,726	-0-	2,751,726	2,533,464	-0-	2,533,464
Student Activities	1,300,907	-0-	1,300,907	1,251,668	-0-	1,251,668
Community Services	107,463	-0-	107,463	126,292	-0-	126,292
Interest on Long-Term Debt	1,573,811	-0-	1,573,811	1,568,673	-0-	1,568,673
Food Services	-0-	1,445,729	1,445,729	-0-	1,676,781	1,676,781
<b>Total Expenses</b>	<b>64,967,286</b>	<b>1,445,729</b>	<b>66,413,015</b>	<b>62,684,935</b>	<b>1,676,781</b>	<b>64,361,716</b>
<b>Increase (Decrease) in Net Position</b>	<b>(506,347)</b>	<b>84,934</b>	<b>(421,413)</b>	<b>(1,577,059)</b>	<b>(283,463)</b>	<b>(1,860,522)</b>

**Elizabethtown Area School District**  
 MANAGEMENT'S DISCUSSION and ANALYSIS  
 (Continued)  
 Year Ended June 30, 2019

**Financial Analysis of the School District as a Whole (Continued)**

Table A-3 shows the School 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, 2019 and 2018**  
**Governmental Activities**

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional Programs	42,513,634	32,877,461	41,692,411	33,061,410
Instructional Student Support	4,493,077	3,680,970	4,055,485	3,367,242
Administrative, Financial and Central Support Services	6,922,347	6,239,569	6,544,390	5,883,620
Operation and Maintenance of Plant Services	5,304,321	4,982,390	4,912,552	4,586,639
Pupil Transportation	2,751,726	1,796,573	2,533,464	1,492,780
Student Activities	1,300,907	1,028,548	1,251,668	977,553
Community Services	107,463	107,463	126,292	126,292
Interest on Long-Term Debt	<u>1,573,811</u>	<u>1,146,267</u>	<u>1,568,673</u>	<u>1,115,207</u>
<b>Total Governmental Activities</b>	<b>64,967,286</b>	<b>51,859,241</b>	<b>62,684,935</b>	<b>50,610,743</b>
Unrestricted Grants and Subsidies		<b>(9,584,462)</b>		<b>(9,528,202)</b>
<b>Total Needs from Local Taxes and Other Revenues</b>		<b>42,274,779</b>		<b>41,082,541</b>

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

**Table A-4**  
**Fiscal Years Ended June 30, 2019 and 2018**  
**Business-Type Activities**

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	1,445,729	(66,745)	1,676,781	283,590

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'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2019

**The School District Funds**

As of June 30, 2019, the School District's governmental funds reported a combined fund balance of \$10,857,197, which is an increase of \$423,767 over the previous year. The primary reason for this change is explained below:

The School District's capital projects fund was decreased due to spending related to the renovation of the Bainbridge Elementary School, certain energy savings capital projects, and planning for renovations at the Rheems Elementary School and Elizabethtown Area Middle School. The general fund balance increased mostly as a result of some one time refunds of prior year's expenses and stronger than anticipated real estate tax collections.

**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 School District. A schedule, showing the School District's original and final budget amounts compared with amounts actually paid and received, is provided on page 66.

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 School 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, 2019, the School District had \$79,448,900 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$727,488 from the previous year.

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

	2019	2018
Land and Land Improvements	4,974,504	5,303,514
Building and Building Improvements	71,359,455	59,343,763
Furniture and Equipment	2,103,130	2,085,571
Vehicles	66,980	35,419
Construction in Progress	<u>944,831</u>	<u>13,408,121</u>
	<b>79,448,900</b>	<b>80,176,388</b>

**Elizabethtown Area School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2019

**Debt Administration**

As of July 1, 2018, the School District had a total outstanding bond principal of \$52,015,000. During the year, the School District reduced principal in the amount of \$2,175,000. Current year debt service activity resulted in an ending outstanding debt as of June 30, 2019, of \$49,840,000.

**Table A-6**  
**Outstanding Debt**

	<b>2019</b>	<b>2018</b>
Issue:		
Series of 2012	6,050,000	7,330,000
Series of 2013	8,290,000	8,990,000
Series of 2015	8,595,000	8,660,000
Series of 2015A	7,545,000	7,610,000
Series of 2016	5,350,000	5,365,000
Series of 2016A	4,490,000	4,535,000
Series of 2017	<u>9,520,000</u>	<u>9,525,000</u>
	<b>49,840,000</b>	<b>52,015,000</b>

More detailed information about our long-term debt is included in Note 10 to the financial statements. Information about the School District's operating leases is detailed in Note 11.

Accrued vacation pay, sick leave, and service stipends for specific employees of the School District are detailed in Note 12 of the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The School District's general obligation bond rating is a Moody's Aa3. 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 School District's stable tax base, strong financial position with conservative budgeting practices, and low debt burden on market value basis with limited capital needs.

The School 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 School 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 School 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 School District. 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 School District.

**Elizabethtown Area School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2019

**Economic Factors and Next Year's Budgets and Rates (Continued)**

In the 2019-2020 budget, the School District increased expenditures and other financing uses by 5.3% from the previous year's budget. The largest increase in expenditures was in support services and primarily in the area of salaries and benefits. Benefits increased mainly due to the increase in the PSERS rate.

Budgeted revenue for the 2019-2020 school year is 2.7 % higher than the previous fiscal year actual revenue. The millage rate for 2019-2020 is 17.0878, which is 3% higher than the previous year. Local revenue continues to provide the majority of funding for School District expenses as noted on page 10.

The comparison of revenue and expenditure categories is as follows:

**Table A-7**  
**Budgeted Revenues**

	<b>2019-2020</b>	<b>2018-2019</b>
Local Sources	68.3%	67.0%
State Sources	30.4%	32.0%
Federal Sources	1.3%	1.0%

**Budgeted Expenditures**

	<b>2019-2020</b>	<b>2018-2019</b>
Instruction	62.3%	63.7%
Support Services	28.2%	26.7%
Athletics and Extracurricular	2.2%	1.9%
Fund Transfers/Debt	7.3%	7.7%

**Contacting the School District Business Administrator**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School 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 Jeff Ammerman, Business Manager, **Elizabethtown Area School District**, 600 East High Street, Elizabethtown, PA 17022.

# Elizabethtown Area School District

## STATEMENT of NET POSITION

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents			
Cash and Cash Equivalents	\$ 4,365,246	\$ 336,257	\$ 4,701,503
Restricted Cash	594,694	-0-	594,694
Investments	9,419,932	-0-	9,419,932
Taxes Receivable, net	1,350,393	-0-	1,350,393
Internal Balances	258,383	(258,383)	-0-
Due from Other Governments	3,465,737	-0-	3,465,737
Other Receivables	79,442	8,494	87,936
Prepaid Expenses	310,550	-0-	310,550
Inventories	<u>104,803</u>	<u>131,448</u>	<u>236,251</u>
<b>Total Current Assets</b>	<b>19,949,180</b>	<b>217,816</b>	<b>20,166,996</b>
<b>Capital Assets</b>			
Non-Depreciable	2,040,544	-0-	2,040,544
Depreciable, net	<u>77,408,356</u>	<u>2,109</u>	<u>77,410,465</u>
<b>Total Capital Assets</b>	<b>79,448,900</b>	<b>2,109</b>	<b>79,451,009</b>
<b>TOTAL ASSETS</b>	<b><u>99,398,080</u></b>	<b><u>219,925</u></b>	<b><u>99,618,005</u></b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Loss on Bond Refunding,			
net of Accumulated Amortization	137,026	-0-	137,026
Pension	16,342,600	159,000	16,501,600
Other Postemployment Benefits	<u>1,447,000</u>	<u>15,000</u>	<u>1,462,000</u>
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b><u>\$ 17,926,626</u></b>	<b><u>\$ 174,000</u></b>	<b><u>\$ 18,100,626</u></b>

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of NET POSITION

(Continued)

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 534,823	\$ 126,163	\$ 660,986
Current Portion of Long-Term Debt	2,220,000	-0-	2,220,000
Accrued Salaries and Benefits	5,805,994	57	5,806,051
Accrued Interest on Long-Term Debt	281,290	-0-	281,290
Payroll Deductions and Withholdings	281,427	-0-	281,427
Unearned Revenues	87,758	85,303	173,061
Due to Other Governments	214,461	-0-	214,461
Other Current Liabilities	<u>175,209</u>	<u>-0-</u>	<u>175,209</u>
<b>Total Current Liabilities</b>	<b>9,600,962</b>	<b>211,523</b>	<b>9,812,485</b>
<b>Noncurrent Liabilities</b>			
Long-Term Portion of Bonds Payable, net of Unamortized Premiums and Discounts	48,061,019	-0-	48,061,019
Long-Term Portion of Compensated Absences	1,247,304	-0-	1,247,304
Net Pension Liability	92,470,000	934,000	93,404,000
Net Other Postemployment Benefit Liabilities	<u>8,292,000</u>	<u>84,000</u>	<u>8,376,000</u>
<b>Total Noncurrent Liabilities</b>	<b><u>150,070,323</u></b>	<b><u>1,018,000</u></b>	<b><u>151,088,323</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>159,671,285</u></b>	<b><u>1,229,523</u></b>	<b><u>160,900,808</u></b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Pension	2,840,000	654,600	3,494,600
Other Postemployment Benefits	<u>397,000</u>	<u>4,000</u>	<u>401,000</u>
<b>TOTAL DEFERRED INFLOWS of RESOURCES</b>	<b><u>3,237,000</u></b>	<b><u>658,600</u></b>	<b><u>3,895,600</u></b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	30,194,331	2,109	30,196,440
Restricted for:			
Capital Projects	3,405,972	-0-	3,405,972
Unrestricted (Deficit)	<u>(79,183,882)</u>	<u>(1,496,307)</u>	<u>(80,680,189)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (45,583,579)</u></b>	<b><u>\$ (1,494,198)</u></b>	<b><u>\$ (47,077,777)</u></b>

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of ACTIVITIES

Year Ended June 30, 2019

Functions/Programs	Program Revenue				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities:</b>								
Instruction	\$ 42,513,634	\$ 687,505	\$ 8,948,668	\$ -0-	\$ (32,877,461)	\$ -0-	\$ (32,877,461)	
Instructional Student Support	4,493,077	-0-	812,107	-0-	(3,680,970)	-0-	(3,680,970)	
Administrative, Financial, and Central Support Services	6,922,347	21,321	661,457	-0-	(6,239,569)	-0-	(6,239,569)	
Operation and Maintenance of Plant Services	5,304,321	23,063	298,868	-0-	(4,982,390)	-0-	(4,982,390)	
Pupil Transportation	2,751,726	-0-	955,153	-0-	(1,796,573)	-0-	(1,796,573)	
Student Activities	1,300,907	174,391	97,968	-0-	(1,028,548)	-0-	(1,028,548)	
Community Services	107,463	-0-	-0-	-0-	(107,463)	-0-	(107,463)	
Interest on Long-Term Debt	1,573,811	-0-	-0-	427,544	(1,146,267)	-0-	(1,146,267)	
<b>Total Governmental Activities</b>	<b>64,967,286</b>	<b>906,280</b>	<b>11,774,221</b>	<b>427,544</b>	<b>(51,859,241)</b>	<b>-0-</b>	<b>(51,859,241)</b>	
<b>Business-Type Activities:</b>								
Food Services	<u>1,445,729</u>	<u>688,060</u>	<u>824,414</u>	<u>-0-</u>	<u>-0-</u>	<u>66,745</u>	<u>66,745</u>	
<b>Total Primary Government</b>	<b><u>\$ 66,413,015</u></b>	<b><u>\$ 1,594,340</u></b>	<b><u>\$ 12,598,635</u></b>	<b><u>\$ 427,544</u></b>	<b><u>\$ (51,859,241)</u></b>	<b><u>\$ 66,745</u></b>	<b><u>\$ (51,792,496)</u></b>	

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue				Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total
<b>General Revenues:</b>								
Taxes:								
Property Taxes, Levied for General Purposes, net					\$ 35,084,221	\$ -0-	\$ 35,084,221	
Public Utility Realty, Earned Income, and Other Taxes Levied for General Purposes, net					4,912,955	-0-	4,912,955	
Unrestricted Grants and Subsidies					9,584,462	-0-	9,584,462	
Unrestricted Contributions					959,108	-0-	959,108	
Unrestricted Investment Earnings					509,411	1,392	510,803	
Other General Revenues					319,534	-0-	319,534	
Transfers					(16,797)	16,797	-0-	
<b>Total General Revenues and Transfers</b>					<b>51,352,894</b>	<b>18,189</b>	<b>51,371,083</b>	
<b>CHANGES in NET POSITION</b>								
					(506,347)	84,934	(421,413)	
<b>NET POSITION</b>								
Beginning, as Originally Stated					(45,037,916)	(1,618,448)	(46,656,364)	
Prior Period Adjustment (Note 21)					(39,316)	39,316	-0-	
Beginning, Restated					(45,077,232)	(1,579,132)	(46,656,364)	
<b>Ending</b>					<b>\$ (45,583,579)</b>	<b>\$ (1,494,198)</b>	<b>\$ (47,077,777)</b>	

See notes to financial statements.

# Elizabethtown Area School District

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	<b>Major Funds</b>				<b>Total</b>
	Capital General Fund	Debt Service Projects Fund	Governmental Fund	Governmental Funds	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,688,683	\$ 404,849	\$ -0-	\$ 4,093,532	
Restricted Cash	-0-	594,694	-0-	594,694	
Investments	6,233,191	2,719,169	-0-	8,952,360	
Taxes Receivable, net	1,350,393	-0-	-0-	1,350,393	
Due from Other Funds	279,150	713,770	-0-	992,920	
Due from Other Governments	3,465,737	-0-	-0-	3,465,737	
Other Receivables	41,823	-0-	-0-	41,823	
Prepaid Expenses	310,550	-0-	-0-	310,550	
Inventories	104,803	-0-	-0-	104,803	
<b>TOTAL ASSETS</b>	<b><u>15,474,330</u></b>	<b><u>4,432,482</u></b>	<b><u>-0-</u></b>	<b><u>19,906,812</u></b>	
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	467,506	67,317	-0-	534,823	
Retainage Payable	-0-	62,728	-0-	62,728	
Due to Other Funds	1,597,716	7,041	-0-	1,604,757	
Accrued Salaries and Benefits	5,805,994	-0-	-0-	5,805,994	
Payroll Deductions and Withholdings	281,427	-0-	-0-	281,427	
Payable to Other Governments	214,461	-0-	-0-	214,461	
Unearned Revenue	87,758	-0-	-0-	87,758	
<b>TOTAL LIABILITIES</b>	<b><u>8,454,862</u></b>	<b><u>137,086</u></b>	<b><u>-0-</u></b>	<b><u>8,591,948</u></b>	
<b>DEFERRED INFLOWS of RESOURCES</b>					
Delinquent Taxes	457,667	-0-	-0-	457,667	
<b>FUND BALANCES</b>					
Nonspendable	415,353	-0-	-0-	415,353	
Restricted	-0-	4,295,396	-0-	4,295,396	
Committed	1,000,000	-0-	-0-	1,000,000	
Assigned	700,000	-0-	-0-	700,000	
Unassigned	4,446,448	-0-	-0-	4,446,448	
<b>TOTAL FUND BALANCES</b>	<b><u>6,561,801</u></b>	<b><u>4,295,396</u></b>	<b><u>-0-</u></b>	<b><u>10,857,197</u></b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES</b>	<b><u>\$ 15,474,330</u></b>	<b><u>\$ 4,432,482</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 19,906,812</u></b>	

See notes to financial statements.

**Elizabethtown Area School District**  
 RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET  
 to the STATEMENT of NET POSITION  
 June 30, 2019

Total Fund Balances - Governmental Funds	\$ 10,857,197
--	---------------

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

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 \$113,474,433 and the accumulated depreciation is \$34,025,533. 79,448,900

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. 1,534,644

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. 457,667

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 and related accounts at year end consist of:

Bonds Payable	(49,840,000)
Accrued Interest on Long-Term Debt	(281,290)
Bond Premiums and Discounts, net of Amortization	(441,019)
Compensated Absences	(1,247,304)
Net Other Postemployment Benefit (OPEB) Liabilities	(8,292,000)
Net Pension Liability	(92,470,000)

Deferred outflows of resources - loss on bond refundings, pension, and OPEB are not due and payable in the current period and, therefore, are not reported in the funds. 17,926,626

Deferred inflows of resources - pension and OPEB are not due and collectable in the current period and, therefore, are not reported in the funds. (3,237,000)

<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (45,583,579)</u></b>
---	-------------------------------

**Elizabethtown Area School District**  
 STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2019

REVENUES	Major Funds				<b>Total</b> Governmental Funds
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>		
<b>Local Sources:</b>					
Real Estate Taxes	\$ 36,004,928	\$ -0-	\$ -0-	\$ 36,004,928	
Other Taxes	4,912,955	-0-	-0-	4,912,955	
Investment Earnings	387,753	103,471	-0-	491,224	
Other Revenue	2,508,556	-0-	-0-	2,508,556	
Total Local Sources	43,814,192	103,471	-0-	43,917,663	
State Sources	19,389,792	-0-	-0-	19,389,792	
Federal Sources	861,425	-0-	-0-	861,425	
<b>Total Revenues</b>	<b>64,065,409</b>	<b>103,471</b>	<b>-0-</b>	<b>64,168,880</b>	
<b>EXPENDITURES</b>					
Instructional Services	39,038,001	-0-	-0-	39,038,001	
Support Services	17,809,599	859,396	-0-	18,668,995	
Noninstructional Services	1,315,416	-0-	-0-	1,315,416	
Capital Outlay	-0-	1,182,308	-0-	1,182,308	
Debt Service	-0-	-0-	3,728,109	3,728,109	
<b>Total Expenditures</b>	<b>58,163,016</b>	<b>2,041,704</b>	<b>3,728,109</b>	<b>63,932,829</b>	
<b>EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES</b>					
	<b>5,902,393</b>	<b>(1,938,233)</b>	<b>(3,728,109)</b>	<b>236,051</b>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In (Out)	(4,244,906)	500,000	3,728,109	(16,797)	
Proceeds from Insurance Recoveries	39,284	212,952	-0-	252,236	
<b>Net Other Financing Sources (Uses)</b>	<b>(4,205,622)</b>	<b>712,952</b>	<b>3,728,109</b>	<b>235,439</b>	
<b>NET CHANGES in FUND BALANCES</b>	<b>1,696,771</b>	<b>(1,225,281)</b>	<b>-0-</b>	<b>471,490</b>	
<b>FUND BALANCES</b>					
Beginning, as Originally Stated	4,912,753	5,520,677	-0-	10,433,430	
Prior Period Adjustment (Note 21)	(39,316)	-0-	-0-	(39,316)	
Beginning, as Restated	4,873,437	5,520,677	-0-	10,394,114	
Inventory Adjustment	(8,407)	-0-	-0-	(8,407)	
<b>Ending</b>	<b>\$ 6,561,801</b>	<b>\$ 4,295,396</b>	<b>\$ -0-</b>	<b>\$ 10,857,197</b>	

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, 2019**

Net Changes in Fund Balances - Total Governmental Funds \$ 471,490

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 capital outlays exceed depreciation in the period is as follows:

Depreciation Expense	(2,173,948)
Capital Outlays	1,477,771
Net Book Value of Assets Disposed	<u>(31,311)</u> (727,488)

Because some property taxes 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 changed by this amount this year.

38,401

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. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

19,972

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

2,175,000

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

(40,674)

In the statement of activities, certain operating expenses (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

\$ (73,836)

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  
(Continued)  
Year Ended June 30, 2019

In the statement of activities, deferred inflows of resources - OPEB, deferred outflows of resources - OPEB, and OPEB expense are recognized in conjunction with total OPEB liability. Whereas in the governmental funds, OPEB expense is recorded when required contributions and benefits are payable. This amount represents the current OPEB obligation expense over amounts payable.

\$ (140,000)

In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with total pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable. This amount represents the current pension obligation expense over amounts payable.

(2,377,400)

The internal service funds, which are used by management to charge the costs of services to individual funds, are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net expense of the internal service funds is allocated among the governmental activities.

156,595

The governmental funds follow the purchase method of inventory. However the statement of net position uses the consumption method of inventory.

(8,407)

**CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES**

\$ (506,347)

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of NET POSITION -

### PROPRIETARY FUNDS

June 30, 2019

	Major <u>Enterprise Fund</u>	Food Service Fund	Internal Service Fund
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 336,257	\$ 271,714	
Investments	-0-	467,572	
Due from Other Funds	19,834	865,678	
Other Receivables	8,494	42,161	
Inventories	<u>131,448</u>	<u>-0-</u>	
<b>Total Current Assets</b>	<b>496,033</b>		<b>1,647,125</b>
<b>Capital Assets</b>			
Depreciable, net	<u>2,109</u>	<u>-0-</u>	
<b>TOTAL ASSETS</b>	<b>498,142</b>		<b>1,647,125</b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Pension	159,000		-0-
Other Postemployment Benefits	<u>15,000</u>	<u>-0-</u>	
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b>174,000</b>		<b>-0-</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	126,163	112,481	
Due to Other Funds	278,217		-0-
Other Payables	57		-0-
Unearned Revenues	<u>85,303</u>	<u>-0-</u>	
<b>TOTAL CURRENT LIABILITIES</b>	<b>489,740</b>		<b>112,481</b>
<b>Noncurrent Liabilities</b>			
Net Pension Liability	934,000		-0-
Net Other Postemployment Benefits (OPEB) Liability	<u>84,000</u>	<u>-0-</u>	
<b>Total Noncurrent Liabilities</b>	<b>1,018,000</b>		<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>1,507,740</b>		<b>112,481</b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Pension	654,600		-0-
Other Postemployment Benefits	<u>4,000</u>	<u>-0-</u>	
<b>TOTAL DEFERRED INFLOWS of RESOURCES</b>	<b>658,600</b>		<b>-0-</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,109		-0-
Unrestricted (Deficit)	<u>(1,496,307)</u>	<u>1,534,644</u>	
<b>TOTAL NET POSITION</b>	<b>\$ (1,494,198)</b>		<b>\$ 1,534,644</b>

See notes to financial statements.

**Elizabethtown Area School District**  
 STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2019

	<b>Major Enterprise Fund</b>	
	Food Service Fund	Internal Service Fund
<b>OPERATING REVENUES</b>		
Food Service Revenue	\$ 688,060	\$ -0-
Charges for Services	-0-	5,416,032
<b>Total Operating Revenues</b>	<b>688,060</b>	<b>5,416,032</b>
<b>OPERATING EXPENSES</b>		
Salaries	292,145	-0-
Employee Benefits	40,543	4,855,025
Other Purchased Services	875,116	-0-
Repairs and Maintenance	24,964	-0-
Supplies	181,847	-0-
Insurance Expense	-0-	335,571
Administrative Expense	-0-	87,028
Depreciation	88	-0-
Other Operating Expenses	31,026	-0-
<b>Total Operating Expenses</b>	<b>1,445,729</b>	<b>5,277,624</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(757,669)</b>	<b>138,408</b>
<b>NONOPERATING REVENUES</b>		
Investment Earnings	1,392	18,187
State Sources	101,150	-0-
Federal Sources	723,264	-0-
<b>Net Nonoperating Revenues</b>	<b>825,806</b>	<b>18,187</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>68,137</b>	<b>156,595</b>
<b>TRANSFERS IN</b>	<b>16,797</b>	<b>-0-</b>
<b>CHANGES in NET POSITION</b>	<b>84,934</b>	<b>156,595</b>
<b>NET POSITION</b>		
Beginning, as Originally Stated	(1,618,448)	1,378,049
Prior Period Adjustment (Note 21)	39,316	-0-
Beginning, as Restated	(1,579,132)	1,378,049
<b>Ending</b>	<b>\$ (1,494,198)</b>	<b>\$ 1,534,644</b>

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

Year Ended June 30, 2019

	<b>Major</b>	<b>Enterprise Fund</b>	
	<b>Food Service</b>	<b>Internal Service</b>	
	<b>Fund</b>	<b>Fund</b>	
<b>CASH FLOWS from OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 684,975	\$ -0-	
Cash Received from Assessments Made to Other Funds	-0-	4,758,672	
Cash Payments to Employees for Services	(173,258)	-0-	
Cash Payments to Suppliers for Goods and Services	<u>(1,067,432)</u>	<u>(5,554,911)</u>	
<b>Net Cash Used by Operating Activities</b>	<b>(555,715)</b>	<b>(796,239)</b>	
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	146,890	-0-	
Federal Sources	<u>673,583</u>	<u>-0-</u>	
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>820,473</b>	<b>-0-</b>	
<b>CASH FLOWS from INVESTING ACTIVITIES</b>			
Investment Earnings	1,392	18,187	
Purchase of Investments	<u>-0-</u>	<u>(463,527)</u>	
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1,392</b>	<b>(445,340)</b>	
<b>INCREASE (DECREASE) in CASH and CASH EQUIVALENTS</b>	<b>266,150</b>	<b>(1,241,579)</b>	
<b>CASH and CASH EQUIVALENTS</b>			
Beginning of Year	<u>70,107</u>	<u>1,513,293</u>	
<b>End of Year</b>	<b>\$ 336,257</b>	<b>\$ 271,714</b>	

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

(Continued)

Year Ended June 30, 2019

	<b>Major</b> <b>Enterprise Fund</b>	<b>Food Service</b> <b>Fund</b>	<b>Internal Service</b> <b>Fund</b>
<b>RECONCILIATION of OPERATING INCOME (LOSS) to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (757,669)	\$ 138,408	
<b>ADJUSTMENTS to RECONCILE OPERATING INCOME (LOSS) to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>			
Depreciation	88		-0-
Use of USDA Commodities	138,845		-0-
Pension-Related Changes Other than Periodic Pension Costs	(133,400)		-0-
Delinquent Student Account Adjustment	16,797		-0-
(Increase) Decrease in:			
Interfund Receivable	103,355	(657,360)	
Inventory	9,061		-0-
Other Current Assets	(5,414)	183,179	
Increase (Decrease) in:			
Accounts Payable	9,056	(460,466)	
Accrued Salaries and Benefits	57		-0-
Interfund Payable	38,488		-0-
Unearned Revenue	25,021		-0-
<b>Total Adjustments</b>	<b>201,954</b>		<b>(934,647)</b>
<b>Net Cash Used by Operating Activities</b>	<b>\$ (555,715)</b>	<b>\$ (796,239)</b>	

### SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION

#### NONCASH, NONCAPITAL, and RELATED FINANCING ACTIVITIES

Receipt of USDA Donated Commodities	161,534	-0-
-------------------------------------	---------	-----

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of NET POSITION -

### FIDUCIARY FUNDS

June 30, 2019

	Private Purpose Trust	Student Activities
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 193,469	\$ 98,939
Due from Other Funds	-0-	4,542
Investments	<u>257,040</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b><u>450,509</u></b>	<b><u>103,481</u></b>
<b>LIABILITIES</b>		
Accounts Payable	10,450	21,976
Due to Student Groups	<u>-0-</u>	<u>81,505</u>
<b>TOTAL LIABILITIES</b>	<b>10,450</b>	<b>103,481</b>
<b>NET POSITION</b>		
Held in Trust for Scholarships	120,816	-0-
Held in Trust for Health Programs	391	-0-
Endowments	<u>318,852</u>	<u>-0-</u>
<b>TOTAL NET POSITION</b>	<b><u>440,059</u></b>	<b><u>-0-</u></b>
<b>TOTAL LIABILITIES and NET POSITION</b>	<b><u>\$ 450,509</u></b>	<b><u>\$ 103,481</u></b>

See notes to financial statements.

**Elizabethtown Area School District**  
STATEMENT of CHANGES in NET POSITION -  
FIDUCIARY FUNDS  
Year Ended June 30, 2019

**Private  
Purpose  
Trust**

**ADDITIONS**

Gifts and Contributions	\$ 10,149
Investment Earnings	<u>6,554</u>
<b>Total Additions</b>	<b>16,703</b>

**DEDUCTIONS**

Scholarships Awarded	<u>17,600</u>
<b>CHANGES in NET POSITION</b>	<b>(897)</b>

**NET POSITION**

Beginning	<u>440,956</u>
<b>Ending</b>	<b><u>\$ 440,059</u></b>

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 School 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 and 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 School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of four elementary schools, one middle school, one intermediate school, and one high school, serving approximately 4,000 students.

The accounting policies of **Elizabethtown Area School District** conform with accounting principles generally accepted in the United States of America 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:

#### **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 School 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 School District reviews the applicability of the following criteria:

The School District is financially accountable for:

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

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

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

3. Organizations which are fiscally dependent on the School 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 School 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**

**(Continued)**

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Joint Ventures**

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

The School District is one of 16 member school districts of the Lancaster County Career and Technology Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the 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 School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2019, was approximately \$968,000. 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 School District is also a member of the Lancaster County Career and Technology Center Authority (Authority). In 1968, the 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 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 Authority entered into an additional agreement with the member school districts and the Authority Board to advance refund the Authority's 1995 bonds. The School District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements as more fully described in Note 11. The School District's lease payment to the Authority for the year ended June 30, 2019, was \$67,540, which has been reported in the School District's general fund. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

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

The School 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 School District's reporting entity. The School District did not have any financial transactions with the Authority during the year ended June 30, 2019. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

**Elizabethtown Area School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures (Continued)**

**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 School District students. The amount paid for services for the year ended June 30, 2019, was approximately \$2,317,000. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

**Lancaster County Academy (Academy)**

The School 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 School District's portion of the operating expenditures for the year ended June 30, 2019, was \$42,030. Complete financial information for the Academy can be obtained from the Administrative Office at 1202 Park City Center, Lancaster, PA 17601.

**Lancaster County Tax Collection Bureau (Bureau)**

The School District participates with 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 School District's portion of the operating expenditures for the year ended June 30, 2019, was \$43,616. Complete financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

**Greater Elizabethtown Area Recreation and Community Services (GEARS)**

The Greater Elizabethtown Area Recreation and Community Services (GEARS) was formed to provide recreational, continuing education, and social-service activities/programs for the children, youth, and adults of the participating municipalities in a fiscally responsible manner. GEARS is composed of a twelve-member board with three members from each of the following four entities: **Elizabethtown Area School District**, Borough of Elizabethtown, Mount Joy Township, and West Donegal Township. GEARS is not reported as part of the School District's reporting entity. For the year ended June 30, 2019, the School District provided \$26,750 of financial support to GEARS. Complete financial statements for GEARS can be obtained from the GEARS office at the Elizabethtown Area Middle School at 600 East High Street, Elizabethtown, PA 17022.

**Basis of Presentation - Fund Accounting**

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, 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.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Basis of Presentation - Financial Statements**

##### **Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. 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 School 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 School 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 School 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 School District.

##### **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 School District finances and meets the cash flow needs of its proprietary activities.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Basis of Presentation - Financial Statements (Continued)**

##### **Fund Financial Statements (Continued)**

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 School District reports the following major governmental funds:

**General Fund** - The general fund is the principal operating fund of the School 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 School 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 School 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 School District employees as benefits.

The School District accounts for assets held by the School District in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships, and to provide materials for health-related programs.

The agency fund is used to account for assets held by the School District as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. This fund includes the student activities fund.

##### **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.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

**(Continued)**

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Basis of Accounting (Continued)**

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 School 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, 2019, which are not intended to finance fiscal 2019 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.

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

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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenue 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 School 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.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Basis of Accounting (Continued)**

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

#### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits. They are carried at cost plus accrued interest, which approximates fair value.

#### **Investments**

The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is 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.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

#### **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 receivable are considered to be fully collectible (Note 4).

#### **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, 2019. 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, offset by fund balance classified as nonspendable in an equal amount.

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, 2019, 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.

#### **Capital Assets and Depreciation**

The School 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 School 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.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Capital Assets and Depreciation (Continued)**

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:

Building	50 - 100 Years
Building Improvements	15 - 30 Years
Land Improvements	50 Years
Furniture	10 - 25 Years
Equipment	5 - 25 Years
Vehicles	3 - 15 Years

#### **Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. They are recategorized as gains or losses on bond refinancing in the event that debt is refinanced. Amortization continues over the life of the new or refinanced debt, whichever is shorter.

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

#### **Compensated Absences**

The School 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 School District policy. The School District also accrues service stipends to be paid out at retirement in accordance with School 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 School 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 School District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Payments for compensated absences are contributed into a 403(b) tax sheltered annuity account.

#### **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, 2019, the School District had no encumbrances.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Pension Plan**

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple-employer defined benefit 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 Postemployment Benefits (OPEB)**

##### ***Single-Employer Defined Benefit OPEB Plan***

The School 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 School District participates in the Pennsylvania Public School Employees' Retirement System (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 the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **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.

#### **Fund Balance Classification**

Fund balance for the governmental funds can be classified into five different categories: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fund Balance Classification (Continued)**

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School Board. Commitments may be changed only by the School District taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Business Manager or designee.

In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts available for consumption or not restricted in any manner.

The School 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 classifications could be used.

The School District has adopted a formal minimum fund balance policy. The School 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.

#### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates used in preparation of these financial statements include depreciation, compensated absences, claims incurred but not reported, pension related items, and other postemployment benefits.

#### **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

**(Continued)**

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Current Year Changes in Accounting Principles**

During the current year, the School District adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The School District's beginning balances and current year results were not affected by the implementation of this new standard.

During the current year, the School District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this statement are effective for the School District's June 30, 2019, financial statements. The School District's beginning balances and current year results were not affected by the implementation of this new standard.

#### **Pending Changes in Accounting Principles**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement are effective for the School District's June 30, 2020, financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the School District's June 30, 2021, financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the School District's June 30, 2021, financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this statement are effective for the School District's June 30, 2020, financial statements.

The effects of implementation of these standards have not yet been determined.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS**

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

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

Certain high-quality bank and corporate debt instruments.

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

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were significant violations of either the state statutes or the policy of the School District.

#### **Cash and Cash Equivalents - Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk although the public school code requires all deposits of the School District which are not insured to be collateralized by the depository institution. As of June 30, 2019, \$5,761,844 of the School District's bank balance of \$6,261,844 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust	
Department not in the School District's Name	<u>5,761,844</u>
	<b>5,761,844</b>

#### **Reconciliation of Cash and Cash Equivalents to the Financial Statements**

Uninsured Amount Above	5,761,844
Insured Amount	<u>500,000</u>
Bank Balance	6,261,844
Outstanding Checks	<u>(674,545)</u>
Carrying Amount - Bank Balances	5,587,299
Petty Cash	<u>1,306</u>
<b>Total Cash and Cash Equivalents Per Financial Statements</b>	<b>5,588,605</b>

#### **Restricted Cash**

At June 30, 2019, \$594,694 of cash and cash equivalents is restricted to guarantee satisfactory performance of facility renovation projects included in construction in progress.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 2 - CASH and CASH EQUIVALENTS 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. At June 30, 2019, the School District did not hold any investments classified in the fair value hierarchy.

At June 30, 2019, the School District holds the following investments recorded at cost or amortized cost:

PSDLAF Collateralized Flex CD Pool	8,804,000
PSDLAF MAX Series	<u>872,972</u>
	<b>9,676,972</b>

The Pennsylvania School District Liquid Asset Fund (PSDLAF) Collateralized Flex CD Pool positions mature from 30 to 180 days. The PSDLAF MAX Series balances are liquid.

The PSDLAF Collateralized Flex CD Pool is an external short-term fixed income investment pool. The School District carries fixed income investments at cost when the maturity of the underlying collateralized or FDIC insured certificate of deposit investments is one year or less.

PSDLAF MAX Series is a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PMA Financial Network, Inc. The pool is audited annually by CliftonLarsonAllen, LLP, an independently elected public official.

#### **Restrictions on Qualified Investment Pool Withdrawals**

The School District has an investment in a qualified investment pool with PSDLAF. Except for direct deposits from the Commonwealth, investments in the PSDLAF MAX Series are subject to a 14-day minimum holding period, and to penalty for early withdrawal. This requirement has been waived by the trust since inception.

#### **Interest Rate Risk**

The School 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.

#### **Credit Risk**

The School District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2019, the School District investments were rated as:

<b>Investments</b>	<b>Standard &amp; Poor's</b>
PSDLAF - MAX Series	AAAm
PSDLAF - Collateralized Flex CD Pool	Unrated

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)**

#### **Concentration of Credit Risk**

The School District places no limit on the amount they may invest in any one issuer. At June 30, 2019, the School 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 School 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 School District has no investments which are subject to custodial credit risk at June 30, 2019.

### **NOTE 3 - REAL ESTATE TAXES**

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate for the year ended June 30, 2019, was 16.6063 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2019, 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 School 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, 2019, are as follows:

	Taxes Receivable	Estimated Uncollectable	Net Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	620,105	-0-	620,105	162,438	457,667
Realty Transfer Taxes	56,426	-0-	56,426	56,426	-0-
Earned Income Taxes	<u>673,862</u>	<u>-0-</u>	<u>673,862</u>	<u>673,862</u>	<u>-0-</u>
	<b>1,350,393</b>	<b>-0-</b>	<b>1,350,393</b>	<b>892,726</b>	<b>457,667</b>

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 5 - DUE from OTHER GOVERNMENTS**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2019, the following amounts are due from other governmental units:

<b>Due From</b>	<b>General Fund</b>
Federal Grants	257,119
State Retirement Subsidy	1,688,252
State Social Security Subsidy	424,244
Other State Subsidy	101,273
Local	994,849
	<b>3,465,737</b>

### **NOTE 6 - INTERFUND ACCOUNTS**

Individual fund receivable and payable balances at June 30, 2019, are as follows:

<b>Fund</b>	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
General Fund	279,150	1,597,716
Enterprise Fund - Food Service	19,834	278,217
Internal Service Fund	865,678	-0-
Student Activities	4,542	-0-
Capital Projects Fund	<u>713,770</u>	<u>7,041</u>
	<b>1,882,974</b>	<b>1,882,974</b>

The general fund has interfund receivables that represent other fund expenses that were paid for by the general fund. The general fund and enterprise fund - food service have interfund payables that represent net amounts owed to the internal service fund for health costs paid by the internal service fund. The capital projects fund owes the general fund for procurement card purchases. The capital projects fund has interfund receivables that represent paid by other fund expenses. The student activities fund has interfund receivables that represent paid by other fund expenses. The enterprise fund - food service has interfund receivables that primarily represent money due from the general fund for delinquent student accounts.

Interfund transfers for the year ended June 30, 2019, are as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	-0-	4,244,906
Capital Projects Fund	500,000	-0-
Debt Service Fund	3,728,109	-0-
Enterprise Fund - Food Service	<u>16,797</u>	<u>-0-</u>
	<b>4,244,906</b>	<b>4,244,906</b>

**Elizabethtown Area School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 6 - INTERFUND ACCOUNTS (Continued)**

Transfers are made from the general fund to the capital projects fund to provide resources for future capital projects. Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds. Transfers are made from the general fund to the enterprise fund - food service to provide resources for the refunding of delinquent student accounts.

**NOTE 7 - CHANGES in CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Historical Cost:</b>				
Capital Assets not Being Depreciated:				
Land	1,095,713	-0-	-0-	1,095,713
Construction in Progress	<u>13,408,121</u>	895,611	<u>13,358,901</u>	944,831
<b>Total Cost</b>	<b>14,503,834</b>	<b>895,611</b>	<b>13,358,901</b>	<b>2,040,544</b>
Capital Assets Being Depreciated:				
Land Improvements	7,902,930	-0-	25,298	7,877,632
Building and Building Improvements	83,952,503	13,555,393	-0-	97,507,896
Furniture and Equipment	5,410,350	340,681	105,875	5,645,156
Vehicles	<u>358,218</u>	<u>44,987</u>	<u>-0-</u>	<u>403,205</u>
<b>Total Cost</b>	<b>97,624,001</b>	<b>13,941,061</b>	<b>131,173</b>	<b>111,433,889</b>
Accumulated Depreciation:				
Land Improvements	3,695,129	318,998	15,286	3,998,841
Building and Building Improvements	24,608,740	1,539,701	-0-	26,148,441
Furniture and Equipment	3,324,779	301,823	84,576	3,542,026
Vehicles	<u>322,799</u>	<u>13,426</u>	<u>-0-</u>	<u>336,225</u>
<b>Total Accumulated Depreciation</b>	<b><u>31,951,447</u></b>	<b><u>2,173,948</u></b>	<b><u>99,862</u></b>	<b><u>34,025,533</u></b>
<b>Net Capital Assets Being Depreciated</b>	<b><u>65,672,554</u></b>	<b><u>11,767,113</u></b>	<b><u>31,311</u></b>	<b><u>77,408,356</u></b>
<b>Net Capital Assets</b>	<b>80,176,388</b>	<b>12,662,724</b>	<b>13,390,212</b>	<b>79,448,900</b>

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)**

Capital asset activity for business-type activities for the year ended June 30, 2019, is as follows:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
Historical Cost:				
Capital Assets Being Depreciated:				
Equipment	90,137	-0-	12,630	77,507
Accumulated Depreciation:				
Equipment	<u>87,940</u>	<u>88</u>	<u>12,630</u>	<u>75,398</u>
<b>Net Capital Assets</b>	<b>2,197</b>	<b>88</b>	<b>-0-</b>	<b>2,109</b>

Depreciation expenses were charged to governmental functions as follows:

Instructional Programs	1,459,118
Instructional Student Support	154,930
Administration and Financial Support Services	238,450
Operation and Maintenance of Plant Services	173,340
Transportation	98,950
Student Activities	45,290
Community Services	<u>3,870</u>
	<b>2,173,948</b>

### **NOTE 8 - ACCRUED SALARIES and BENEFITS**

At June 30, 2019, the School District was liable for \$5,805,994 of payroll, payable during July and August 2019, 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, 2019, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and service stipends.

### **NOTE 9 - UNEARNED REVENUE**

Unearned revenue in the general fund consists of student activities funding received, but not yet earned of \$87,758 as of June 30, 2019.

Unearned revenue in the food service fund consists of prepaid lunch sales and deferred revenue related to donated commodities of \$85,303 as of June 30, 2019.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

**(Continued)**

### **NOTE 10 - LONG-TERM DEBT**

#### **General Obligation Debt**

The School 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 School District.

On May 9, 2017, the School 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 School 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.

On December 1, 2016, the School 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 School 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.

On December 1, 2016, the School 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 School 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.

On August 18, 2015, the School District issued general obligation bonds, Series A of 2015, in the amount of \$8,930,000. The purpose of the bonds was to (1) refund the general obligation bonds, Series A of 2010, (2) refund the general obligation bonds, Series of 2010, (3) finance various capital projects for existing school facilities, (4) and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from .29% to 3.00% with principal maturities from \$65,000 to \$1,295,000.

On June 23, 2015, the School District issued general obligation bonds, Series of 2015, in the amount of \$8,865,000. The purpose of the bonds was to refund a portion of the general obligation bonds, Series of 2010 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from .30% to 3.00% with principal maturities from \$85,000 to \$1,460,000.

On October 30, 2013, the School District issued general obligation bonds, Series of 2013, in the amount of \$9,450,000. The purpose of the bonds was to refund a portion of the general obligation bonds, Series A of 2009 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from .29% to 3.10% with principal maturities from \$75,000 to \$2,400,000.

On March 26, 2012, the School District issued general obligation bonds, Series of 2012, in the amount of \$9,995,000. The purpose of the bonds was to refund a portion of the general obligation bonds, Series of 2007 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 2.00% to 2.35% with principal maturities from \$5,000 to \$1,215,000.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 10 - LONG-TERM DEBT (Continued)**

#### **General Obligation Debt (Continued)**

Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2019, as follows:

<b>Issue</b>	<b>Final Maturity Date</b>	<b>Interest Rates</b>	<b>Principal Amount Outstanding at June 30, 2019</b>	<b>Due Within One Year</b>
Series of 2012	06/30/2024	2.00% - 2.35%	6,050,000	1,260,000
Series of 2013	11/15/2025	.29% - 3.10%	8,290,000	760,000
Series of 2015	02/15/2031	.30% - 3.00%	8,595,000	65,000
Series A of 2015	02/15/2031	.29% - 3.00%	7,545,000	65,000
Series of 2016	09/01/2032	.90% - 3.00%	5,350,000	15,000
Series A of 2016	09/01/2039	.90% - 4.00%	4,490,000	50,000
Series of 2017	11/15/2039	1.00% - 4.00%	<u>9,520,000</u>	<u>5,000</u>
			<u>49,840,000</u>	<u>2,220,000</u>

Long-term obligation activity can be summarized as follows:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>
General Obligation Debt	52,015,000	-0-	(2,175,000)	49,840,000
Net Bond Premium (Discount)	472,743	-0-	(31,724)	441,019
Deferred Loss on Bond Refunding	(148,778)	-0-	11,752	(137,026)
Estimated Liability for Compensated Absences	<u>1,173,468</u>	<u>121,161</u>	<u>(47,325)</u>	<u>1,247,304</u>
	<u>53,512,433</u>	<u>121,161</u>	<u>(2,242,297)</u>	<u>51,391,297</u>

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

	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2020	1,510,150	2,220,000	3,730,150
2021	1,465,774	2,265,000	3,730,774
2022	1,418,568	2,315,000	3,733,568
2023	1,364,729	2,365,000	3,729,729
2024	1,304,253	2,430,000	3,734,253
2025 - 2029	5,315,109	13,775,000	19,090,109
2030 - 2034	3,197,716	12,910,000	16,107,716
2035 - 2039	1,389,361	9,445,000	10,834,361
2040	<u>42,300</u>	<u>2,115,000</u>	<u>2,157,300</u>
	<u>17,007,960</u>	<u>49,840,000</u>	<u>66,847,960</u>

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 10 - LONG-TERM DEBT (Continued)**

#### **General Obligation Debt (Continued)**

The School District pays the long-term obligations of the governmental activities from the general fund, except for debt service. Debt service payments are paid from the debt service fund which is, however, funded by transfers from the general fund.

Interest costs incurred during the year ended June 30, 2019, were \$1,573,811, all of which was charged to expense.

### **NOTE 11 - OPERATING LEASES**

The School District leases copiers under an operating lease ending March 2021. Total rental expense for the operating leases reflected in the accompanying financial statements is \$137,406 during the year ended June 30, 2019. Minimum future rental payments under the operating lease in excess of one year as of June 30, 2019, is as follows:

2020	137,406
2021	<u>103,055</u>
	<b>240,461</b>

On June 29, 2012, Lancaster County Career and Technology Center Authority issued Guaranteed Lease Revenue Bonds, Series of 2012, totaling \$9,995,000. On February 2017, LCCTC refinanced Guaranteed Lease Revenue Bonds, Series of 2013, and issued Guaranteed Lease Revenue Bonds, Series of 2017, totaling \$9,380,000. The LCCTC issued Guaranteed Lease Revenue Bonds, Series of 2014, totaling \$3,900,000 on July 9, 2014, which was the final of the three series. These 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 School District, along with the other member districts, has covenanted to pay lease rentals in amounts sufficient to service this debt, in proportions based on real estate market values.

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

<b>Fiscal Year Ended June 30,</b>	<b>Estimated Future Minimum Rental Payments</b>
2020	67,532
2021	67,475
2022	67,385
2023	67,481
2024	67,301
2025 - 2029	337,766
2030 - 2034	337,515
2035 - 2037	<u>202,121</u>
	<b>1,214,576</b>

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 12 - COMPENSATED ABSENCES**

A summary of the amount recorded as a liability in the governmental activities for compensated absences is as follows as of June 30, 2019:

Accumulated Sick Days	740,597
Accumulated Vacation Days	173,707
Accrued Service Stipend	<u>333,000</u>
	<b>1,247,304</b>

### **NOTE 13 - DEFINED BENEFIT PENSION PLAN**

#### **General Information about the Pension Plan**

##### **Plan Description**

The School District contributes to a governmental cost-sharing multi-employer defined benefit pension plan administered by PSERS. PSERS provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://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 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% 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 2.0% 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.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

#### **General Information about the Pension Plan (Continued)**

##### **Benefits Provided (Continued)**

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

##### **Contributions**

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. Plan members may belong to four membership classes. Class T-C, Class T-D, Class T-E, and Class T-F are available to plan members.

##### **Member Contributions**

Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class T-C or 6.50% for Class T-D. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class T-C or 7.50% for Class T-D. Members who joined the plan after June 30, 2001 and before July 1, 2011, are automatically in Class T-D and are required to contribute 7.50%.

Members who joined the plan after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

##### **Employer Contributions**

The School District's contractually required contribution rate for fiscal year ended June 30, 2019, was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were approximately \$8,857,000 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$93,404,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2017 to June 30, 2018. The School 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, 2018, the School District's proportion was 0.1946%, which was an increase of .0059% from its proportion measured as of June 30, 2017.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

For the year ended June 30, 2019, the School District recognized pension expense of \$11,101,000. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual		
Experience	752,000	1,446,000
Changes in Assumptions	1,741,000	-0-
Net Difference Between Projected and		
Actual Investment Earnings	458,000	-0-
Change in Proportions	4,481,600	2,041,600
Difference between Employer		
Contributions and Proportionate Share		
of Total Contributions	212,000	7,000
Contributions Subsequent to the		
Measurement Date	<u>8,857,000</u>	<u>-0-</u>
	<b><u>16,501,600</u></b>	<b><u>3,494,600</u></b>

\$8,857,000 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase or (decrease) in pension expense as follows:

#### Year Ended June 30:

2020	3,190,000
2021	2,072,000
2022	(757,000)
2023	(355,000)
	<b>4,150,000</b>

#### **Actuarial Assumptions**

The total pension liability as of June 30, 2018, was determined by rolling forward PSERS's total pension liability as of the June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Long Term Expected Rate of Return: 7.25%, includes inflation at 2.75%

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay

Salary Growth: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases

Mortality Rates: RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

#### **Actuarial Assumptions (Continued)**

There were no changes in assumptions used in measurement of the total pension liability beginning June 30, 2018. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The long-term expected rate of return on 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Public Equity (Hedged)	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute Return (HF)	10.0%	3.5%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real Estate	10.0%	4.2%
Alternative Investments (PE)	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>(20.0%)</u>	0.9%
	<b>100.0%</b>	

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, 2018.

#### **Discount Rate**

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

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

	1%	Current Discount	1%
	Decrease	Rate	Increase
School District's Proportionate Share of the Net Pension Liability	6.25%	7.25%	8.25%
	115,798,000	93,404,000	74,494,000

#### **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 PSERS' website at [www.psers.pa.gov](http://www.psers.pa.gov).

#### **Payable to the Pension Plan**

At June 30, 2019, the School District reported a payable of \$2,679,104 to PSERS. \$162,871 was withheld from participants' pay during June 2019, and is payable to PSERS by July 10, 2019. \$2,516,233 is the School District's contribution attributable to payroll during the second quarter of 2019, and is payable to PSERS within five business days of the School District receiving its related retirement subsidy from the Commonwealth of Pennsylvania.

#### **Pension Reform**

Pursuant to Commonwealth Act 2017-5, members hired on or after July 1, 2019, will be required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand-alone defined contribution plan.

PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6%.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

#### **SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN**

##### ***General Information about the OPEB Plan***

##### **Plan Description**

The School District maintains a single-employer defined benefit OPEB plan to provide postemployment health care benefits. The Board of School Directors is authorized to establish and amend the financing requirements and benefits, subject to collective bargaining for certain classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

##### **Benefits Provided**

The plan provides medical and prescription drug coverage to employees who retire from active service and qualify for pension benefits, and their spouse and eligible dependents. Retirees are eligible for benefits until age 65 upon paying 100% of the premium; spouse and dependents are eligible for benefits until age 65, and may continue coverage for no more than three years after the retiree's death upon paying the COBRA-equivalent premium.

##### **Employees Covered by Benefit Terms**

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	14
Inactive Employees Entitled to but not yet Receiving Benefits	-0-
Active Employees	<u>392</u>
	<b>406</b>

##### **Total OPEB Liability**

The School District's total OPEB liability of \$4,319,000 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2017, which was used and updated procedures were applied to roll forward to the current measurement date of July 1, 2018.

##### **Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.13%, Based on 20-Year High Grade Municipal Rate Index.

Long Term Expected Rate of Return: N/A, the Plan is Unfunded.

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay.

Healthcare Cost Trend: 9.0% for 2018, decreasing 1.0% per year to an ultimate rate of 5.0% for 2022 and later years.

Retirees' Share of Benefit-Related Costs: 100.0% of Premium.

Mortality Rates:

Preretirement - RP-2014 Employee (Male and Female).

Postretirement - RP-2014 Health Annuitant (Male and Female).

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

#### **Actuarial Assumptions and Other Inputs (Continued)**

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period ended July 1, 2017, which was used and updated procedures were applied to roll forward to the current measurement date of July 1, 2018.

#### **Changes in the Total OPEB Liability**

<b>Balance, June 30, 2018</b>	<b>4,216,000</b>
Changes for the Year	
Service Cost	153,000
Interest	126,000
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	-0-
Benefit Payments	<u>(176,000)</u>
<b>Net Changes</b>	<b><u>103,000</u></b>
<b>Balance, June 30, 2019</b>	<b>4,319,000</b>

#### **Estimated Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the School District for the single-employer plan, as well as what the School District's total OPEB liability for the single-employer plan would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate, these figures are estimated:

#### **Total OPEB Liability**

2.0% Discount Rate (1.0% Decrease)	4,708,000
3.0% Discount Rate (Current Rate)	4,319,000
4.0% Discount Rate (1.0% Increase)	3,973,000

#### **Estimated Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the School District's single-employer plan, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates, these figures are estimated:

#### **Total OPEB Liability**

7.0% Decreasing to 4.0% (1% Decrease)	3,844,000
8.0% Decreasing to 5.0% (Current Rate)	4,319,000
9.0% Decreasing to 6.0% (1% Increase)	4,837,000

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

#### **COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN**

##### ***General Information about the Health Insurance Premium Assistance Program***

###### **Health Insurance Premium Assistance Program**

The Pennsylvania Public School Employees' Retirement System (System) provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

###### **Premium Assistance Eligibility Criteria**

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

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

###### **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, 2018, there were no assumed future benefit increases to participating eligible retirees.

###### **Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2019, was 0.83% 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 School District were \$225,000 for the year ended June 30, 2019.

###### **OPEB Liabilities and OPEB Expense**

At June 30, 2019, the School District reported a liability of \$4,057,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School 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, 2018, the School District's proportion was 0.1946%, which was an increase of 0.0059% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$184,000 related to this plan.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

#### **Actuarial Assumptions**

The total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry age normal, level percent of pay.

Investment Return: 2.98%, based on the 20-year S&P municipal bond rate.

Salary Growth: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Premium Assistance reimbursement is capped at \$1,200 per year.

Assumed Healthcare Cost Trends: Applied to retirees with less than \$1,200 in Premium Assistance per year.

Mortality Rates: RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation Rate:

Eligible retirees will elect to participate pre-age 65 at 50%.

Eligible retirees will elect to participate post-age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 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, 2016, determined the employer contribution rate for fiscal year 2018.

Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

Asset valuation method: Market Value.

Participation rate: 63% of eligible retirees are assumed to elect premium assistance.

Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

Investments consist primarily of short term assets designed to protect the principal of the 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 System's 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.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

#### **Actuarial Assumptions (Continued)**

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.90%	0.60%
US Core Fixed Income	92.80%	1.20%
Fixed Income	<u>1.30%</u>	1.50%
	<b><u>100.00%</u></b>	

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, 2018.

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 2.98%. 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 2.98% which represents the S&P 20-year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

#### **Net OPEB Liability**

1.98% Discount Rate (1.0% Decrease)	4,614,000
2.98% Discount Rate (Current Rate)	4,057,000
3.98% Discount Rate (1.0% Increase)	3,595,000

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

The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

#### **Net OPEB Liability**

1% Decrease	4,057,000
Current Rate	4,057,000
1% Increase	4,058,000

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

#### OPEB Plan Fiduciary Net Position

Detailed information about the PSERS OPEB plan's fiduciary net position is available in the separately issued PSERS comprehensive annual financial report which is available on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

#### AGGREGATE OPEB INFORMATION

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$541,000. At June 30, 2019, the School 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
Contributions and Benefit Payments After the Measurement Date	401,000	-0-
Differences Between Expected and Actual Experience	25,000	167,000
Difference Between Projected and Actual Investment Earnings	7,000	-0-
Changes of Assumptions	921,000	154,000
Changes in Proportion	<u>108,000</u>	<u>80,000</u>
	<b>1,462,000</b>	<b>401,000</b>

\$401,000 reported as deferred outflows of resources related to OPEB resulting from the School District's benefit payments after the measurement date of the single-employer plan and contributions after the measurement date of the cost-sharing multiple-employer plan will be recognized as a reduction in the total or net OPEB liability, respectively, in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be increased in OPEB expense as follows:

#### Fiscal Year Ended June 30:

2020	66,000
2021	66,000
2022	66,000
2023	65,000
2024	65,000
Thereafter	<u>332,000</u>
	<b>660,000</b>

### NOTE 15 - RISK MANAGEMENT

#### Self-Insured Health Benefits

The School District self-insures medical and prescription benefits for eligible employees and their dependents. The claims for these self-insured benefits are processed by the School District's third-party administrator. The School District remits funds to the third-party administrator. The third-party administrator invoices the School District weekly for paid claims. The School District was limited in liability to \$175,000 per individual and \$5,983,983 in total for medical and prescription claims for the year ended June 30, 2019. The School District has recorded a liability for claims incurred prior to June 30, 2019, and paid subsequently in the amount of \$112,481.

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 15 - RISK MANAGEMENT (Continued)**

#### **Self-Insured Health Benefits (Continued)**

School District obligations 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.

#### **Change in Aggregate Claim Liabilities - Health Benefits**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Claim Liability - Beginning of Year	572,947	296,217
Current Year Claims and Changes in Estimates	4,104,866	5,369,861
Claim Payments by School District	<u>(4,565,332)</u>	<u>(5,093,131)</u>
<b>Claim Liability - End of Year</b>	<b>112,481</b>	<b>572,947</b>

#### **Workers' Compensation**

The School 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 School District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses, and providing self-insurance and reinsurance thereof. It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance.

As of June 30, 2019, the School District is not aware of any additional assessments relating to the Fund.

#### **Other Risks**

The School 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 School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2019, and the two previous fiscal years, no settlements exceeded insurance coverage.

The School District fully insures dental benefits for employees electing coverage.

### **NOTE 16 - FUND BALANCE CLASSIFICATIONS**

Nonspendable fund balance represents fund balances that are not in a spendable form or are required to be maintained intact.

General Fund - Nonspendable Prepaid Expenses	310,550
General Fund - Nonspendable Inventories	<u>104,803</u>
	<b>415,353</b>

# **Elizabethtown Area School District**

## **NOTES to FINANCIAL STATEMENTS**

(Continued)

### **NOTE 16 - FUND BALANCE CLASSIFICATIONS (Continued)**

Restricted fund balance is restricted by a third party.

Capital Project Fund - Cash in Escrow to Guarantee Satisfactory Completion of Capital Projects	594,694
Capital Project Fund - Future Capital Projects	<u>3,700,702</u>
	<b>4,295,396</b>

Committed fund balances represent 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, 2019, the School District has included the following as committed fund balances:

General Fund - Committed to Safety and Security Infrastructure	1,000,000
--	-----------

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 Fiscal Year 2019-2020 Budget Deficit	700,000
--	---------

### **NOTE 17 - 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 School 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 18 - CONTINGENCIES and COMMITMENTS**

#### **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 School District expects such amounts, if any, to be immaterial.

#### **Legal Matters**

The School 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.

## **Elizabethtown Area School District**

### **NOTES to FINANCIAL STATEMENTS**

(Continued)

#### **NOTE 18 - CONTINGENCIES and COMMITMENTS (Continued)**

##### **Construction Commitments**

The School District has entered into a contract for a solar addition. The amount remaining on the outstanding contract is approximately \$9,000 at June 30, 2019.

##### **Transportation Contract**

The School 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 School District incurred approximately \$2,000,000 in related expenditures for the year ended June 30, 2019.

##### **Collective Bargaining Agreement**

The School 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, 2017 through June 30, 2020. In June 2019, the School District and the Association entered into a new collective bargaining agreement effective 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 School District's professional staff for the term of the contract.

#### **NOTE 19 - TAX ABATEMENTS**

The School 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 School District. The School 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, 2019, the School District abated approximately \$464,000 of property taxes under these agreements.

#### **NOTE 20 - PAYMENTS in LIEU of TAXES**

The School 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 School 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.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 21 - PRIOR PERIOD ADJUSTMENT**

For the year ended June 30, 2018, the allocation of the state retirement subsidy was incorrectly calculated for the general fund and enterprise fund-food service fund. As a result, revenues of the general fund were overstated and revenues of the enterprise fund-food service fund were understated. Accordingly, fund balance and net position of these funds have been restated as of July 1, 2018, as follows:

	General Fund	<u>Enterprise Fund</u> Food Service Fund
<b>Fund Equity as Previously Reported on June 30, 2018</b>	4,912,753	(1,618,448)
<b>Prior Period Adjustment:</b> State Subsidy Allocation	<u>(39,316)</u>	<u>39,316</u>
<b>Fund Equity as Restated, July 1, 2018</b>	<b>4,873,437</b>	<b>(1,579,132)</b>

This prior period also impacted the revenues of the governmental and business type activities as of June 30, 2018. As a result, program revenues of the governmental activities were overstated and revenues of the business-type activities were understated. Accordingly, net position has been restated as of July 1, 2018, as follows:

	Governmental Activities	Business-Type Activities and Proprietary Fund
<b>Net Position as Previously Reported on June 30, 2018</b>	(45,037,916)	(1,618,448)
<b>Prior Period Adjustment:</b> State Subsidy Allocation	<u>(39,316)</u>	<u>39,316</u>
<b>Net Position as Restated, July 1, 2018</b>	<b>(45,077,232)</b>	<b>(1,579,132)</b>

### **NOTE 22 - SUBSEQUENT EVENTS**

On August 15, 2019, the School 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 School 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 through \$1,600,000 each March 1 through 2025. The refunding resulted in cash flow savings, net of state aid, of \$231,184.

## **Elizabethtown Area School District**

### **NOTES to FINANCIAL STATEMENTS**

**(Continued)**

#### **NOTE 22 - SUBSEQUENT EVENTS (Continued)**

On September 12, 2019, the School District issued general obligation bonds, Series A of 2019, in the amount of \$9,075,000. The purpose of the bonds was to provide funds for renovations to Elizabethtown Area Middle School and Rheems Elementary School, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 1.20% to 4.00% with principal maturities from \$5,000 through \$960,000 each September 1 through 2043.

# Elizabethtown Area School District

## SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -

### BUDGET and ACTUAL -

#### GENERAL FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 35,586,212	\$ 35,586,212	\$ 36,004,928	\$ 418,716
Other Taxes	4,987,810	4,987,810	4,912,955	(74,855)
Investment Earnings	65,000	65,000	387,753	322,753
Other Revenue	1,432,000	1,432,000	2,508,556	1,076,556
Total Local Sources	42,071,022	42,071,022	43,814,192	1,743,170
State Sources	19,570,701	19,570,701	19,389,792	(180,909)
Federal Sources	755,000	755,000	861,425	106,425
<b>Total Revenues</b>	<b>62,396,723</b>	<b>62,396,723</b>	<b>64,065,409</b>	<b>1,668,686</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	29,965,829	30,240,614	28,167,937	2,072,677
Special Programs	7,035,929	7,035,212	8,525,325	(1,490,113)
Vocational Programs	2,559,131	2,559,130	2,041,511	517,619
Other Instructional Programs	192,418	192,418	280,968	(88,550)
Nonpublic School Programs	-0-	-0-	22,260	(22,260)
<b>Total Instructional Services</b>	<b>39,753,307</b>	<b>40,027,374</b>	<b>39,038,001</b>	<b>989,373</b>
Support Services:				
Pupil Personnel Services	2,024,011	2,024,655	2,325,309	(300,654)
Instructional Staff Services	758,481	844,405	1,010,427	(166,022)
Administrative Services	3,607,670	3,641,050	3,816,426	(175,376)
Pupil Health	578,746	578,752	809,398	(230,646)
Business Services	1,054,049	1,054,048	1,041,620	12,428
Operation of Plant and Maintenance Services	4,445,822	4,451,079	4,637,581	(186,502)
Student Transportation Services	2,882,043	2,882,044	2,647,269	234,775
Central and Other Business Services	1,278,593	1,278,669	1,521,569	(242,900)
<b>Total Support Services</b>	<b>16,629,415</b>	<b>16,754,702</b>	<b>17,809,599</b>	<b>(1,054,897)</b>
Noninstructional Services:				
Student Activities	1,099,202	1,093,203	1,211,823	(118,620)
Community Services	99,453	99,453	103,593	(4,140)
<b>Total Noninstructional Services</b>	<b>1,198,655</b>	<b>1,192,656</b>	<b>1,315,416</b>	<b>(122,760)</b>
<b>Total Expenditures</b>	<b>57,581,377</b>	<b>57,974,732</b>	<b>58,163,016</b>	<b>(188,284)</b>
<b>EXCESS of REVENUES OVER EXPENDITURES</b>	<b>4,815,346</b>	<b>4,421,991</b>	<b>5,902,393</b>	<b>1,480,402</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer Out	(4,608,109)	(4,298,527)	(4,244,906)	53,621
Proceeds from Insurance Recoveries	-0-	-0-	39,284	39,284
Refund of Prior Year's Receipts	(5,000)	(5,000)	-0-	5,000
Budgetary Reserve	(200,000)	(116,256)	-0-	116,256
<b>Net Other Financing Uses</b>	<b>(4,813,109)</b>	<b>(4,419,783)</b>	<b>(4,205,622)</b>	<b>214,161</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ 2,237</b>	<b>\$ 2,208</b>	<b>1,696,771</b>	<b>\$ 1,694,563</b>
<b>FUND BALANCES</b>				
Beginning, as Originally Stated			4,912,753	
Prior Period Adjustment (Note 21)			(39,316)	
Beginning, as Restated			4,873,437	
Inventory Adjustment			(8,407)	
<b>Ending</b>	<b>\$ 6,561,801</b>			

See independent auditors' report.

**Elizabethtown Area School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON

**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. In either case, 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 School 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 School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2019.
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.

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of CHANGES in TOTAL OPEB LIABILITY and RELATED RATIOS -**  
**SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN**  
Last 10 Fiscal Years

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>			
Service Cost	\$ 153,000	\$ 158,000	\$ 165,000
Interest	126,000	123,000	130,000
Change of Benefit Terms	-0-	-0-	-0-
Differences Between Expected and Actual Experience	-0-	-0-	(205,000)
Change of Assumptions	-0-	-0-	1,051,000
Benefit Payments	<u>(176,000)</u>	<u>(198,000)</u>	<u>(175,000)</u>
 <b>Net Change in Total OPEB Liability</b>	 <b>103,000</b>	 <b>83,000</b>	 <b>966,000</b>
Total OPEB Liability - Beginning	<u>4,216,000</u>	<u>4,133,000</u>	<u>3,167,000</u>
 <b>Total OPEB Liability - Ending</b>	 <b><u>\$ 4,319,000</u></b>	 <b><u>\$ 4,216,000</u></b>	 <b><u>\$ 4,133,000</u></b>
 <b>Covered Payroll</b>	 24,168,953	 24,341,850	 23,748,146
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 17.9%	 17.3%	 17.4%

Note: Information is not available prior to 2017.

See independent auditors' report.

**Elizabethtown Area School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -  
**SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN**  
Last 10 Fiscal Years

**Funding:**

No assets are accumulated in a trust that meet the criteria included in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, to pay related benefits.

**Changes of Assumptions:**

Measurement period ending June 30, 2016:

Actuarial cost method was adjusted from Unit Credit method to Entry Age Normal.

Discount rate was reduced from 4.00% to 3.00%.

Salary growth changed from an annual rate of 0.00% to 2.50%.

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of EMPLOYER CONTRIBUTIONS -**  
**PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN**  
**Last 10 Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Contractually Required Contributions</b>	<b>Contributions from Employer</b>	<b>Contributions Deficiency (Excess)</b>	<b>Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered- Employee Payroll</b>
2015	215,000	215,000	-0-	23,830,686	0.90%
2016	213,000	213,000	-0-	25,106,006	0.84%
2017	209,000	209,000	-0-	25,123,007	0.83%
2018	217,000	217,000	-0-	26,207,769	0.83%
2019	225,000	225,000	-0-	27,123,282	0.83%

Note: Information is not available prior to 2015.

See independent auditors' report.

## Elizabethtown Area School District

SCHEDULE of the SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET OPEB LIABILITY -

PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN

Last 10 Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>School District's Proportionate Share of the Net OPEB Liability</b>		<b>School District's Covered-Employee Payroll</b>	<b>OPEB Liability as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	
	<b>School District's Proportion of the Net OPEB Liability</b>	<b>Share of the Net OPEB Liability</b>			<b>Position as a Percentage of the Total OPEB Liability</b>	
2016	0.1939%	4,177,000	25,106,006	16.64%	5.47%	
2017	0.1887%	3,845,000	25,123,007	15.30%	5.73%	
2018	0.1946%	4,057,000	26,207,769	15.48%	5.56%	

Note: Information is not available prior to 2016. The data provided in the schedule is based on the measurement date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

**Elizabethtown Area School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -  
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN  
Last 10 Fiscal Years

**Changes of Assumptions:**

Measurement period ending June 30, 2017:

Discount rate was decreased from 3.13% to 2.98%

Measurement period ending June 30, 2016:

Discount rate was increased from 2.71% to 3.13%.

Salary growth changes from an effective average of 5.50% to 5.00%

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of EMPLOYER CONTRIBUTIONS -**  
**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**  
Last 10 Fiscal Years

<b>Defined Benefit Pension Plan</b>	<b>Contractually Required Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2010	854,302	854,302	-0-	21,357,556	4.00%
2011	1,111,803	1,111,803	-0-	22,236,068	5.00%
2012	1,713,123	1,713,123	-0-	21,414,031	8.00%
2013	2,599,517	2,599,517	-0-	22,601,376	11.50%
2014	3,743,461	3,743,461	-0-	23,392,576	16.00%
2015	4,766,705	4,766,705	-0-	23,830,686	20.50%
2016	6,147,137	6,147,137	-0-	25,106,006	25.00%
2017	7,246,281	7,246,281	-0-	25,123,007	29.20%
2018	8,257,531	8,257,531	-0-	26,207,769	31.74%
2019	8,856,510	8,856,510	-0-	27,123,282	32.60%

See independent auditors' report.

## Elizabethtown Area School District

SCHEDULE of SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Share of the Net Pension Liability (Asset)		School District's Covered Payroll	School District's Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll			
2014	0.1833%	72,551,711	23,392,576	310.15%	57.24%	
2015	0.1849%	80,090,261	23,830,686	336.08%	54.36%	
2016	0.1939%	96,091,000	25,106,006	382.74%	50.14%	
2017	0.1887%	93,181,000	25,123,007	370.90%	51.84%	
2018	0.1946%	93,418,000	26,207,769	356.45%	54.00%	

Note: Information is not available prior to 2014.

See independent auditors' report.

**Elizabethtown Area School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
Last 10 Fiscal Years

**Changes of Benefit Terms:**

Measurement period ending June 30, 2017:

Beginning June 12, 2017, with the passage of Act 5, Class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

**Changes of Assumptions:**

Measurement period ending June 30, 2016:

Investment rate of return was adjusted from 7.50% to 7.25%.

Inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50% to 5.00%.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

See independent auditors' report.

**Elizabethtown Area School District**

COMBINING BALANCE SHEET -

CAPITAL PROJECTS FUND

June 30, 2019

	<b>Capital Projects Fund</b>	<b>Capital Reserve Fund</b>	<b>2017 Bond Construction Fund</b>	<b>Totals</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 291,649	\$ 67,429	\$ 45,771	\$ 404,849
Restricted Cash	-0-	-0-	594,694	594,694
Investments	-0-	2,665,184	53,985	2,719,169
Due from Other Funds	818	712,952	-0-	713,770
<b>TOTAL ASSETS</b>	<b><u>292,467</u></b>	<b><u>3,445,565</u></b>	<b><u>694,450</u></b>	<b><u>4,432,482</u></b>
<b>LIABILITIES and FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	34,765	32,552	-0-	67,317
Retainage Payable	-0-	-0-	62,728	62,728
Due to Other Funds	-0-	7,041	-0-	7,041
<b>TOTAL LIABILITIES</b>	<b><u>34,765</u></b>	<b><u>39,593</u></b>	<b><u>62,728</u></b>	<b><u>137,086</u></b>
<b>FUND BALANCES</b>				
Restricted	<b><u>257,702</u></b>	<b><u>3,405,972</u></b>	<b><u>631,722</u></b>	<b><u>4,295,396</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 292,467</u></b>	<b><u>\$ 3,445,565</u></b>	<b><u>\$ 694,450</u></b>	<b><u>\$ 4,432,482</u></b>

See independent auditors' report.

# Elizabethtown Area School District

COMBINING STATEMENT of REVENUES, EXPENDITURES, and

CHANGES in FUND BALANCES - CAPITAL PROJECTS FUND

Year Ended June 30, 2019

	Capital Projects Fund	Capital Reserve Fund	2017 Bond Construction Fund	Totals
<b>REVENUES</b>				
Local Sources:				
Investment Earnings	\$ 5,991	\$ 70,572	\$ 26,908	\$ 103,471
<b>EXPENDITURES</b>				
Current:				
Support Services	-0-	607,517	251,879	859,396
Capital Outlay:				
Facilities Acquisition, Construction, and Improvement Services	<u>594,509</u>	<u>287,324</u>	<u>300,475</u>	<u>1,182,308</u>
<b>TOTAL EXPENDITURES</b>	<b><u>594,509</u></b>	<b><u>894,841</u></b>	<b><u>552,354</u></b>	<b><u>2,041,704</u></b>
<b>DEFICIENCY of REVENUES OVER EXPENDITURES</b>	<b>(588,518)</b>	<b>(824,269)</b>	<b>(525,446)</b>	<b>(1,938,233)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-0-	500,000	-0-	500,000
Insurance Recoveries	<u>-0-</u>	<u>212,952</u>	<u>-0-</u>	<u>212,952</u>
<b>Total Other Financing Sources</b>	<b><u>-0-</u></b>	<b><u>712,952</u></b>	<b><u>-0-</u></b>	<b><u>712,952</u></b>
<b>NET CHANGES in FUND BALANCES</b>	<b>(588,518)</b>	<b>(111,317)</b>	<b>(525,446)</b>	<b>(1,225,281)</b>
<b>FUND BALANCES</b>				
Beginning	<u>846,220</u>	<u>3,517,289</u>	<u>1,157,168</u>	<u>5,520,677</u>
<b>Ending</b>	<b><u>\$ 257,702</u></b>	<b><u>\$ 3,405,972</u></b>	<b><u>\$ 631,722</u></b>	<b><u>\$ 4,295,396</u></b>

See independent auditors' report.

**Elizabethtown Area School District**  
 COMBINING STATEMENT of FIDUCIARY NET POSITION -  
 PRIVATE PURPOSE TRUST FUND  
 June 30, 2019

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Medical Association Educational Fund	Northwest Lancaster County Medical Association Total Private Purpose Trust Fund
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 91,115	\$ 391	\$ 19,142	\$ 82,821	\$ 193,469
Investments	257,040	-0-	-0-	-0-	257,040
<b>TOTAL ASSETS</b>	<b><u>348,155</u></b>	<b><u>391</u></b>	<b><u>19,142</u></b>	<b><u>82,821</u></b>	<b><u>450,509</u></b>
<b>LIABILITIES</b>					
Accounts Payable	10,450	-0-	-0-	-0-	10,450
<b>NET POSITION</b>					
Held in Trust for Scholarships	112,705	-0-	290	7,821	120,816
Held in Trust for Health Programs	-0-	391	-0-	-0-	391
Endowments	225,000	-0-	18,852	75,000	318,852
<b>TOTAL NET POSITION</b>	<b><u>337,705</u></b>	<b><u>391</u></b>	<b><u>19,142</u></b>	<b><u>82,821</u></b>	<b><u>440,059</u></b>
<b>TOTAL LIABILITIES and NET POSITION</b>	<b><u>\$ 348,155</u></b>	<b><u>\$ 391</u></b>	<b><u>\$ 19,142</u></b>	<b><u>\$ 82,821</u></b>	<b><u>\$ 450,509</u></b>

See independent auditors' report.

**Elizabethtown Area School District**  
 COMBINING STATEMENT of CHANGES in FIDUCIARY NET POSITION -  
 PRIVATE PURPOSE TRUST FUND  
 Year Ended June 30, 2019

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Medical Association Educational Fund	Northwest Lancaster County Medical Association Total Private Purpose Trust Fund
<b>ADDITIONS</b>					
Gifts and Contributions	\$ 10,149	\$ -0-	\$ -0-	\$ -0-	\$ 10,149
Investment Earnings	<u>5,146</u>	<u>6</u>	<u>159</u>	<u>1,243</u>	<u>6,554</u>
<b>TOTAL ADDITIONS</b>	<b>15,295</b>	<b>6</b>	<b>159</b>	<b>1,243</b>	<b>16,703</b>
<b>DEDUCTIONS</b>					
Scholarships Awarded	<u>16,600</u>	<u>-0-</u>	<u>-0-</u>	<u>1,000</u>	<u>17,600</u>
<b>CHANGES in NET POSITION</b>	<b>(1,305)</b>	<b>6</b>	<b>159</b>	<b>243</b>	<b>(897)</b>
<b>NET POSITION</b>					
Beginning	<u>339,010</u>	<u>385</u>	<u>18,983</u>	<u>82,578</u>	<u>440,956</u>
<b>Ending</b>	<b><u>\$ 337,705</u></b>	<b><u>\$ 391</u></b>	<b><u>\$ 19,142</u></b>	<b><u>\$ 82,821</u></b>	<b><u>\$ 440,059</u></b>

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
Year Ended June 30, 2019

Federal Grantor	Pass-Through Agency	Federal Program	Source			Grant Period	Accrued		Accrued		Passed
			Federal Code	CFDA Number	Pass-Through Grantor's Number		Beginning/ Ending Date	(Deferred) Grant Amount	Total Revenue at July 1, 2018	Received for the Year	
<b>Child Nutrition Cluster</b>											
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/18 - 06/30/19	N/A	\$ -0-	\$ 103,663	\$ 103,663	\$ -0- \$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/17 - 06/30/18	N/A	17,707	17,707	-0-	-0- -0-
			<b>Total</b>	<b>10.553</b>				<b>17,707</b>	<b>121,370</b>	<b>103,663</b>	<b>-0- -0- -0-</b>
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/18 - 06/30/19	N/A	-0-	480,757	480,757	-0- -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A	71,456	71,456	-0-	-0- -0-
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program (Note 2)	I	10.555	N/A	07/01/18 - 06/30/19	N/A	(26,590) A) 44,866	161,536 B) 713,749	138,844 C) 619,601	(49,282) D) (49,282) -0-
			<b>Total</b>	<b>10.555</b>				<b>62,573</b>	<b>835,119</b>	<b>723,264</b>	<b>(49,282) -0-</b>
<b>Special Education Cluster</b>											
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Grants to States	I	84.027	062-190013	07/01/18 - 09/30/19	648,622	-0-	648,622	648,622	-0- -0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Grants to States	I	84.027	062-180013	07/01/17 - 09/30/18	660,037	487,545	487,545	-0-	-0- -0-
			<b>Total</b>	<b>84.027</b>				<b>487,545</b>	<b>1,136,167</b>	<b>648,622</b>	<b>-0- -0- -0-</b>
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Preschool Grants	I	84.173	131-180013	07/01/18 - 09/30/19	2,506	-0-	-0-	2,506	2,506 -0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Preschool Grants	I	84.173	131-170013	07/01/17 - 09/30/18	4,002	4,002	4,002	-0-	-0- -0-
			<b>Total</b>	<b>84.173</b>				<b>4,002</b>	<b>4,002</b>	<b>2,506</b>	<b>2,506 -0-</b>
<b>Total Special Education Cluster</b>								<b>\$ 491,547</b>	<b>\$ 1,140,169</b>	<b>\$ 651,128</b>	<b>\$ 2,506 \$ -0-</b>

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2019

Federal Grantor	Pass-Through Agency	Federal Program	Pass-Through			Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred)		Total Received for the Year	Accrued (Deferred)	
			Source Code	CFDA Number	Grantor's Number			Revenue at July 1, 2018	Expenditures		Revenue at June 30, 2019	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-190135	07/01/18 - 09/30/19	478,755	\$ -0-	\$ 352,200	\$ 444,950	\$ 92,750	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-180135	08/14/17 - 09/30/18	489,366	63,316	68,780	5,464	-0-	-0-
			Total	84.010				63,316	420,980	450,414	92,750	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-190135	07/01/18 - 09/30/19	102,295	-0-	102,295	102,295	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-180135	08/14/17 - 09/30/18	114,997	28,378	32,728	4,350	-0-	-0-
			Total	84.367				28,378	135,023	106,645	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-190135	07/01/18 - 09/30/19	35,402	-0-	18,881	22,361	3,480	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-180135	07/01/18 - 09/30/19	11,048	(1,042)	-0-	1,042	-0-	-0-
			Total	84.424				(1,042)	18,881	23,403	3,480	-0-
<b>Medicaid Cluster</b>												
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/18 - 09/30/19	N/A	-0-	20,030	20,030	-0-	-0-
			<b>Total Medicaid Cluster</b>					-0-	20,030	20,030	-0-	-0-
			<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>					\$ 644,772	\$ 2,570,202	\$ 1,974,884	\$ 49,454	\$ -0-

**Legend**

I = Indirect funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

**Elizabethtown Area School District**  
SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
(Continued)  
Year Ended June 30, 2019

**NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 - NATIONAL SCHOOL LUNCH PROGRAM - PASSED THROUGH the PENNSYLVANIA DEPARTMENT of AGRICULTURE**

- A) Beginning inventory at July 1.
- B) Total amount of commodities received from the Department of Agriculture.
- C) Total amount of commodities used.
- D) Ending inventory at June 30.

**NOTE 3 - DE MINIMIS INDIRECT COST RATE**

The School District did not elect to use the 10% de minimis indirect cost rate.

**NOTE 4 - ACCESS**

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2019, was \$307,571 which is listed on the PDE Confirmation as program #044-007135.

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT on INTERNAL CONTROL over FINANCIAL REPORTING and on  
COMPLIANCE and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED in  
ACCORDANCE with GOVERNMENT AUDITING STANDARDS**

To the Board Officers and Members  
**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**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise **Elizabethtown Area School District's** basic financial statements and have issued our report thereon dated November 22, 2019.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another that we consider to be a significant deficiency.

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, internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2019-001 to be a material weakness.

- 83 -

**SERVICE | ANSWERS | TRUST**

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141

CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2019-002 to be a significant deficiency.

#### **Compliance and Other Matters**

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

#### **Elizabethtown Area School District's Response to Findings**

**Elizabethtown Area School District's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Elizabethtown Area School District's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

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

November 22, 2019  
Lancaster, Pennsylvania

Trout, Ebersole & Groff, LLP  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT on COMPLIANCE for EACH MAJOR PROGRAM  
and on INTERNAL CONTROL over COMPLIANCE REQUIRED by the UNIFORM GUIDANCE**

To the Board Officers and Members

**Elizabethtown Area School District**

Elizabethtown, Pennsylvania

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

We have audited **Elizabethtown Area School District's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on **Elizabethtown Area School District's** major federal programs for the year ended June 30, 2019. **Elizabethtown Area School District's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of **Elizabethtown Area School District's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Elizabethtown Area School District's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, **Elizabethtown Area School District** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2019.

- 85 -

**SERVICE | ANSWERS | TRUST**

LANCASTER OFFICE: 1705 Oregon Pike, Lancaster, PA 17601 • 717-569-2900 • Fax 717-569-0141

CAPITAL REGION OFFICE: 5000 Ritter Road, Suite 104, Mechanicsburg, PA 17055 • 717-697-2900 • Fax 717-697-2002

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item #2019-003. Our opinion on each major federal program is not modified with respect to these matters.

**Elizabethtown Area School District's** response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **Elizabethtown Area School District's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of **Elizabethtown Area School District** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Elizabethtown Area School District's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Elizabethtown Area School District's** internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item #2019-003 that we consider to be a material weakness.

**Elizabethtown Area School District's** response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Elizabethtown Area School District's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Trout, Ebersole & Groff, LLP*

TROUT, EBERSOLE & GROFF, LLP

Certified Public Accountants

November 22, 2019  
Lancaster, Pennsylvania

**Elizabethtown Area School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
Year Ended June 30, 2019

**A. Summary of Auditors' Results**

1. The independent auditors' report expresses unmodified opinions on the financial statements of **Elizabethtown Area School District**.
2. One material weakness and one significant deficiency relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **Elizabethtown Area School District** were disclosed during the audit.
4. One material weakness and no significant deficiencies relating to the audit of the major federal programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for **Elizabethtown Area School District** expresses an unmodified opinion.
6. Audit findings relative to the major federal awards program for **Elizabethtown Area School District** are reported in part C of this schedule.
7. The programs tested as major programs are: Title I - Grants to Local Educational Agencies - CFDA #84.010, Special Education - Grants to States - CFDA #84.027, and Special Education - Preschool Grants - CFDA #84.173.
8. The threshold for distinguishing type A and B programs was \$750,000.
9. **Elizabethtown Area School District** was not determined to be a low-risk auditee.

**Elizabethtown Area School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2019

**B. Findings - Financial Statements Audit**

**Material Weakness**

**#2019-001 Fixed Assets**

Criteria: Capital asset additions related to general fund and capital projects funds are recorded on the government-wide financial statements.

Statement of Condition: We identified unrecorded capital asset additions including the over \$13 million Bainbridge Elementary School Project, as well as construction in progress related to the Solar Field.

Cause and Effect: When the capital asset additions schedule does not include all current year additions, the accounting records do not provide the proper basis for preparation of the government-wide financial statements.

Identification of Repeat Finding: No

Recommendation: The School District should review year-end capital asset reports and compare to general ledger postings and the capital budget to verify all additions are appropriately reported.

Management Response: The School District was in transition in terms of business management and acknowledges this transaction was incorrectly recorded. Going forward, now that there is understanding of the process, a review of all asset transactions will take place far in advance of the audit to ensure all transactions are properly recorded.

**Significant Deficiency**

**#2019-002 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 School District evaluated the accuracy of the adjusting journal entries and has accepted responsibility for them. The significant audit adjustments were as follows:

1. Adjusting interfund accounts so due to funds and due from funds were in agreement.
2. Adjusting delinquent tax revenue which was caused by not reconciling the reports received from the Tax Claim Bureau to the amounts received by the School District.
3. Adjusting donated commodities received to the June confirm for appropriate federal reporting.
4. Adjusting accounts receivable for state subsidies which was caused by the incorrect calculation of Social Security and Medicare state subsidy portion.

**Elizabethtown Area School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2019

**B. Findings - Financial Statements Audit (Continued)**

**Significant Deficiency (Continued)**

**#2019-002 Year-End Close Process (Continued)**

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.

Identification of Repeat Finding: Yes, there were some year-end close issues noted in finding #2017-002.

Recommendation: The School District should adjust the year-end close process to record the majority of accruals within 60 days of year end. All year-end adjusting entries should be subject to a second level of management review, paying particular attention to complex adjustments and those requiring judgement or estimation. Additionally, we have the following recommendations which correspond to the items as noted above:

1. The School District should reconcile interfund accounts to determine amounts are in agreement between funds and are balanced.
2. The School District should reconcile delinquent real estate taxes receivable to the amounts reported by the Tax Claim Bureau.
3. The School District should obtain the June donated commodities confirm to make sure appropriate amounts received are reported.
4. The School District should ensure the correct rates are being used to calculate the Social Security and Medicare state subsidy receivable.

Management Response: Similar to the previous finding, a transition in business management positions played into this finding. Now that these areas have been identified, the business office will take steps to ensure these transactions are entered far in advance of the audit, to ensure proper reporting.

**C. Findings and Questioned Costs - Major Federal Awards Programs Audit**

**Material Weakness and Compliance Finding**

**#2019-003 - Title I Grants to Local Educational Agencies - CFDA #84.010, Year Ended June 30, 2019**

Criteria: The School District receives a reimbursement from the State equal to 50% of the School District's retirement costs for eligible School District employees. This reimbursement should be allocated to federal awards.

Statement of Condition: The School District was unaware that the retirement reimbursement should be allocated to Title I. As such, the School District did not originally allocate this reimbursement. The School District retrospectively corrected this error via journal entries so the grant was not overcharged; accordingly, there are no questioned costs related to this finding.

Cause and Effect: If the School District did not prepare journal entries to correct the overcharge to the grant, the grant would have been overcharged by approximately \$54,000.

**Elizabethtown Area School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2019

**C. Findings and Questioned Costs - Major Federal Awards Program Audit (Continued)**

**Material Weakness and Compliance Finding (Continued)**

**#2019-003 - Title I Grants to Local Educational Agencies - CFDA #84.010, Year Ended June 30, 2019 (Continued)**

Questioned Costs: None over the reportable threshold of \$25,000.

Recommendation: We recommend that the Title I Coordinator and the School District Business Office jointly review all related Title I compliance guidance to ensure that the requirements are met. We also recommend that the School District continue to allocate the retirement reimbursement to Title I and be mindful of that reimbursement when determining Title I expenses.

Identification of Repeat Finding: No

Management Response: The Title I coordinator, the School District Accountant, and the School District Business Manager have scheduled quarterly meetings to ensure that all of the relevant items are reported correctly on both the quarterly filings as well as the Final Expenditure Reports. We agree with this finding and have taken steps to correct it.

**Elizabethtown Area School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
Year Ended June 30, 2019

**Material Weakness**

**#2018-001 2017 Bond Construction Fund - Accounts Payable and Retainage Payable**

Statement of Condition: We identified unrecorded accounts payable for the 2017 Bond Construction Fund. We also identified retainage payable that should have been recorded for open contracts related to the Bainbridge project. Adjusting journal entries were proposed to and accepted by management to record additional accounts payable of \$142,610 and retainage payable of \$403,590 to reflect the appropriate balance at year end.

Recommendation: The School District should review invoices received near year end to determine if they should be recorded as accounts payable for the school year. The School District should also review year-end payment applications from contractors to determine the amount of retainage, if any, that should be recorded as a payable in the appropriate fund.

Current Status: The School District appropriately adjusted accounts payable for the Bond Construction Fund and retainage for construction contracts.

**Significant Deficiency**

**#2017-002 Adjusting Journal Entries and Year-End Close Process**

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

1. Adjusting accrued payroll for an understatement which was caused by not recording accrued retirement payouts.
2. Adjusting accounts payable for an understatement which was caused by not recording retainage for construction contracts that were included in construction in process.
3. Adjusting retirement subsidy receivable for an overstatement which was caused by a transposed digit.
4. Adjusting delinquent tax revenue for an understatement which was caused by not reconciling the reports received from the Tax Claim Bureau to the amounts received by the School District.
5. Adjusting transportation subsidy receivable for an understatement which was caused by not recording the transportation balance due.

**Elizabethtown Area School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
(Continued)  
Year Ended June 30, 2019

**Significant Deficiency (Continued)**

**#2017-002 Adjusting Journal Entries and Year-End Close Process (Continued)**

Recommendation: The School District should reevaluate the year-end close process. The School District should focus on closing the fiscal year accounts, which includes recording as many accrual basis adjustments as possible, within 60 days of year end. The School District should require a second level of management review for all year-end adjusting entries that are posted to the system, focusing on the entries that are judgmental, estimated and/or complex in nature. Additionally, we have the following recommendations which correspond to the items as noted above:

1. The School District should obtain all necessary source documents needed to prepare a complete payroll accrual including listing of September retiree payouts.
2. The School District should review year-end construction contracts to determine whether there is any retainage noted that should be booked as accounts payable.
3. The School District should reconcile grants and subsidies, and compare to the related expenses where relevant, to determine that appropriate receivable balances are recorded.
4. The School District should reconcile delinquent real estate taxes receivable to the amounts reported by the Tax Claim Bureau.

Current Status: As noted in finding #2019-002, the School District had some year-end close comments.



**ELIZABETHTOWN AREA SCHOOL DISTRICT**  
**600 East High Street**  
**Elizabethtown PA 17022**  
**717-367-1521**  
**DISTRICT OFFICE**

**Elizabethtown Area School District**  
**SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2019**

**Material Weakness**

**#2018-001 2017 Bond Construction Fund - Accounts Payable and Retainage Payable**

**Statement of Condition:** We identified unrecorded accounts payable for the 2017 Bond Construction Fund. We also identified retainage payable that should have been recorded for open contracts related to the Bainbridge project. Adjusting journal entries were proposed to and accepted by management to record additional accounts payable of \$142,610 and retainage payable of \$403,590 to reflect the appropriate balance at year end.

**Recommendation:** The School District should review invoices received near year end to determine if they should be recorded as accounts payable for the school year. The School District should also review year-end payment applications from contractors to determine the amount of retainage, if any, that should be recorded as a payable in the appropriate fund.

**Current Status:** The School District appropriately adjusted accounts payable for the Bond Construction Fund and retainage for construction contracts.

**Significant Deficiency**

**#2017-002 Adjusting Journal Entries and Year-End Close Process**

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

1. Adjusting accrued payroll for an understatement which was caused by not recording accrued retirement payouts.
2. Adjusting accounts payable for an understatement which was caused by not recording retainage for construction contracts that were included in construction in process.
3. Adjusting retirement subsidy receivable for an overstatement which was caused by a transposed digit.
4. Adjusting delinquent tax revenue for an understatement which was caused by not reconciling the reports received from the Tax Claim Bureau to the amounts received by the School District.
5. Adjusting transportation subsidy receivable for an understatement which was caused by not recording the transportation balance due.

**Elizabethtown Area School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
(Continued)  
Year Ended June 30, 2019

**Significant Deficiency (Continued)**

**#2017-002 Adjusting Journal Entries and Year-End Close Process (Continued)**

Recommendation: The School District should reevaluate the year-end close process. The School District should focus on closing the fiscal year accounts, which includes recording as many accrual basis adjustments as possible, within 60 days of year end. The School District should require a second level of management review for all year-end adjusting entries that are posted to the system, focusing on the entries that are judgmental, estimated and/or complex in nature. Additionally, we have the following recommendations which correspond to the items as noted above:

1. The School District should obtain all necessary source documents needed to prepare a complete payroll accrual including listing of September retiree payouts.
2. The School District should review year-end construction contracts to determine whether there is any retainage noted that should be booked as accounts payable.
3. The School District should reconcile grants and subsidies, and compare to the related expenses where relevant, to determine that appropriate receivable balances are recorded.
4. The School District should reconcile delinquent real estate taxes receivable to the amounts reported by the Tax Claim Bureau.

Current Status: As noted in finding #2019-002, the School District had some year-end close comments.



**ELIZABETHTOWN AREA SCHOOL DISTRICT**  
**600 East High Street**  
**Elizabethtown PA 17022**  
**717-367-1521**  
**DISTRICT OFFICE**

**Corrective Action Plan**  
November 22, 2019

Elizabethtown Area School District respectfully submits the following corrective action plan for the year ending June 30, 2019.

Oversight Agency for Audit: U.S. Department of Education

Name and address of independent public accounting firm: Trout, Ebersole & Groff, LLP, 1705 Oregon Pike, Lancaster, Pennsylvania 17601-4200

Audit Period: July 1, 2018 through June 30, 2019.

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2019 are discussed below. The findings are numbered consistently with the number assigned in the schedule:

**Findings - Financial Statements Audit**

**Material Weakness**

**#2019-001 Fixed Assets**

Criteria: Capital asset additions related to general fund and capital projects funds are recorded on the government-wide financial statements.

Statement of Condition: We identified unrecorded capital asset additions including the over \$13 million Bainbridge Elementary School Project, as well as construction in progress related to the Solar Field.

Cause and Effect: When the capital asset additions schedule does not include all current year additions, the accounting records do not provide the proper basis for preparation of the government-wide financial statements.

Recommendation: The School District should review year-end capital asset reports and compare to general ledger postings and the capital budget to verify all additions are appropriately reported.

Management Response: The School District was in transition in terms of business management and acknowledges this transaction was incorrectly recorded. Going forward, now that there is understanding of the process, a review of all asset transaction will take place far in advance of the audit to ensure all transactions are properly recorded.

## **Significant Deficiency**

### **#2019-002 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 School District evaluated the accuracy of the adjusting journal entries and has accepted responsibility for them. The significant audit adjustments were as follows:

1. Adjusting interfund accounts so due to funds and due from funds were in agreement.
2. Adjusting delinquent tax revenue which was caused by not reconciling the reports received from the Tax Claim Bureau to the amounts received by the School District.
3. Adjusting donated commodities received to the June confirm for appropriate federal reporting.
4. Adjusting accounts receivable for state subsidies which was caused by the incorrect calculation of Social Security and Medicare state subsidy portion.

**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.

**Recommendation:** The School District should adjust the year-end close process to record the majority of accruals within 60 days of year end. All year-end adjusting entries should be subject to a second level of management review, paying particular attention to complex adjustments and those requiring judgement or estimation. Additionally, we have the following recommendations which correspond to the items as noted above:

1. The School District should reconcile interfund accounts to determine amounts are in agreement between funds and are balanced.
2. The School District should reconcile delinquent real estate taxes receivable to the amounts reported by the Tax Claim Bureau.
3. The School District should obtain the June donated commodities confirm to make sure appropriate amounts received are reported.
4. The School District should ensure the correct rates are being used to calculate the Social Security and Medicare state subsidy receivable.

**Management Response:** Similar to the previous finding, a transition in business management positions played into this finding. Now that these areas have been identified, the business office will take steps to ensure these transactions are entered far in advance of the audit, to ensure proper reporting.

## **Findings and Questioned Costs - Major Federal Awards Programs Audit**

### **Material Weakness and Compliance Finding**

### **#2019-003 - Title I Grants to Local Educational Agencies - CFDA #84.010, Year Ended June 30, 2019**

**Criteria:** The School District receives a reimbursement from the State equal to 50% of the School District's retirement costs for eligible District employees. This reimbursement should be allocated to federal awards.

**Statement of Condition:** The School District was unaware that the retirement reimbursement should be allocated to Title I. As such, the School District did not originally allocate this reimbursement. The School District retrospectively corrected this error via journal entries so the grant was not overcharged; accordingly, there are no questioned costs related to this finding.

**Cause and Effect:** If the School District did not prepare journal entries to correct the overcharge to the grant, the grant would have been overcharged by approximately \$54,000.

**Questioned Costs:** None over the reportable threshold of \$25,000.

**Recommendation:** We recommend that the Title I Coordinator and the School District Business Office jointly review all related Title I compliance guidance to ensure that the requirements are met. We also recommend that the School District continue to allocate the retirement reimbursement to Title I and be mindful of that reimbursement when determining Title I expenses.

**Management Response:** The Title I coordinator, the School District Accountant, and the School District Business Manager have scheduled quarterly meetings to ensure that all of the relevant items are reported correctly on both the quarterly filings as well as the Final Expenditure Reports. We agree with this finding and have taken steps to correct it.

If the United States Department of Education has questions regarding this plan, please call Jeffrey Ammerman at 717-367-1521.

Sincerely,



Jeffrey Ammerman  
Business Manager  
Elizabethtown Area School District