

**Elizabethtown Area School District**

Year Ended June 30, 2021



# Elizabethtown Area School District

## Financial Statements with Supplementary Information

Year Ended June 30, 2021

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# Elizabethtown Area School District

## Financial Statements with Supplementary Information

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# Elizabethtown Area School District

## Financial Statements with Supplementary Information

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## 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, 2021, 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.

### 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 21 to the financial statements, **Elizabethtown Area School District** adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. 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 3 through 15, budgetary comparison information on pages 68 and 69, the other postemployment benefits (OPEB) health care benefits plan information on pages 69 through 74, and the pension information on pages 75 through 77 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 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 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 3, 2021, 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 **Elizabethtown Area School District's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Elizabethtown Area School District's** internal control over financial reporting and compliance.



November 3, 2021  
Lancaster, Pennsylvania

# Elizabethtown Area School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2021

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, 2021. 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 net other financing uses in the general fund for the 2020-2021 fiscal year were budgeted at \$66,310,372. Revenues in the general fund for the 2020-2021 fiscal year were budgeted at \$66,242,340 with an anticipated reduction in fund balance of \$68,032. At year end, actual expenditures and net other financing uses were \$67,248,280 which is about \$938,000 more than the budgeted amount. Actual revenues at year end were \$69,232,084 which is about \$3 million more than the budgeted amount. When compared to budget, the actual increase in expenditures and net other financing uses versus the actual increase in revenue resulted in an actual growth in the fund balance of \$1,938,804.

Revenues were more than budget by about \$3 million or approximately 4.5% of the budgeted revenues. The COVID-19 pandemic and federal funds associated with the pandemic impacted multiple revenue areas, primarily local and federal revenues. Local revenues were over budget by approximately \$1,960,000, due to three variations in budgeted revenues. First, Earned Income Tax (EIT) or wage taxes were over budget by about \$805,000. The Lancaster County Tax Collection Bureau (LCTCB) is the collector of these EIT funds for the School District. In April and May 2020, the executive director of the LCTCB worked with the County school districts to try to estimate the impact of COVID-19 on the local wages and the taxes associated with those wages. Expectation was that these revenues would decline, so the budgeted revenues associated with the wage taxes for 2020-2021 was \$3,536,437 versus the actual revenue of \$4,152,055 for 2019-2020. Actual EIT revenue in 2020-2021 was \$4,314,410. The second overage was associated with transfer real estate taxes that were over budget by about \$614,000. Housing prices soared in Elizabethtown Area School District like many areas across the state and country. This resulted in the sale of many properties include some large commercial properties. Finally, delinquent real estate payments were over budget by about \$284,000. With the sharp rise in property sales, many properties with delinquent taxes were sold and the taxes were paid as part of the sale proceeds. Federal revenues were over budget by approximately \$643,000. While the 2020-2021 federal revenues budget included \$383,022 in CARES revenues, the actual CARES funds through multiple federal grants was nearly \$916,000 that were not included in the 2020-2021 budget. This overage was offset by some other budgeted revenue streams that came in under budget during the year.

# **Elizabethtown Area School District**

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

### **Financial Highlights (Continued)**

Expenditures and other financing uses were over budgeted by about \$938,000 or approximately 1.4%. The budget overage was driven by multiple factors, including \$2,481,000 of program expenditures that came in over budget, offset by other program expenditures that came in under budget by \$1,543,000. First, total salaries were over budget by more than \$422,000. With the new online learning options offered due to COVID-19, the School District added some temporary professional staff for the 2020-2021 school year that were paid using Elementary and Secondary School Emergency Relief (ESSER) funds in the amount of about \$550,000. These temporary professional staff were included in the total salary expenditures within the various School District programs. Second, fund transfers were over budget by more than \$634,000 due to Board approval at the June 2021 Board meeting for the use of the general fund safety and security committed fund balance to pay for safety and security improvements within the School District. Lastly, cyber charter enrollment more than doubled with the COVID-19 pandemic. The School District's cyber charter enrollment was dropping for multiple years prior to the pandemic. Throughout the 2020-2021 school year, the cyber charter enrollment was consistently more than 150 students. This increase enrollment resulted in cyber charter expenditures of more than \$1,000,000 over budget.

These expenditure overages were offset by multiple reductions in budgeted expenditures of approximately \$1,500,000 during the school year. First, transportation spending was about \$678,000 less than budgeted. Approximately 20 percent of our student population selected an online education option for the 2020-2021 school year, while our secondary school student attended two days a week in person until April 2021. This reduced in person enrollment and resulted in lower transportation expenditures. Second, the budget was underspent in the private institution special education placements by more than \$470,000 as a result of a few families with multiple special education students moving out of the School District and expected enrollments being less than projected.

### **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

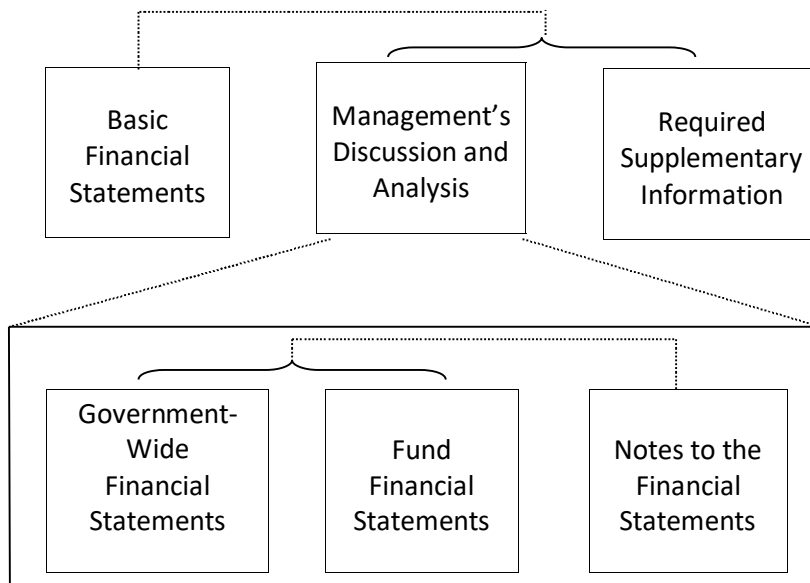
(Continued)

Year Ended June 30, 2021

### 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, 2021

### 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 Government-Wide and Fund Financial Statements</b>				
		Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Fund
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 accounts for someone else's resources - the custodial fund, which is comprised of scholarship and student activities
Required financial statements	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows	Statement of Net Position and Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

# Elizabethtown Area School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

### 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 20, 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, 2021

### 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 fund - The School District accounts for some scholarship and student activity transactions. With the implementation of GASB 84, *Fiduciary Activities*, the School District fiduciary fund now includes a custodial fund, replacing the private purpose trust and student activities funds. This custodial fund is comprised of multiple scholarship funds and a student activity fund. The 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 \$(47,154,168) as of June 30, 2021. The negative unrestricted net position is due to GASB 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of \$97,078,000 net pension liability at June 30, 2021, and significant footnote disclosure found in Note 13.

# Elizabethtown Area School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

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

**Table A-1**  
**Fiscal Years Ended June 30, 2021 and 2020**  
**Net Position**

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and Other Assets	28,640,675	54,973	28,695,648	31,549,084	(98,707)	31,450,377
Capital Assets and Other						
Non-Current Assets	<u>81,415,819</u>	<u>1,931</u>	<u>81,417,750</u>	<u>78,432,917</u>	<u>2,020</u>	<u>78,434,937</u>
<b>Total Assets</b>	<b>110,056,494</b>	<b>56,904</b>	<b>110,113,398</b>	<b>109,982,001</b>	<b>(96,687)</b>	<b>109,885,314</b>
<b>Deferred Outflows of Resources</b>	<b>19,163,022</b>	<b>189,000</b>	<b>19,352,022</b>	<b>16,987,474</b>	<b>166,000</b>	<b>17,153,474</b>
Current and Other						
Liabilities	11,710,325	124,513	11,834,838	11,029,928	132,013	11,161,941
Long-Term Liabilities	<u>160,824,359</u>	<u>1,073,000</u>	<u>161,897,359</u>	<u>157,329,598</u>	<u>1,010,000</u>	<u>158,339,598</u>
<b>Total Liabilities</b>	<b>172,534,684</b>	<b>1,197,513</b>	<b>173,732,197</b>	<b>168,359,526</b>	<b>1,142,013</b>	<b>169,501,539</b>
<b>Deferred Inflows of Resources</b>	<b>3,839,000</b>	<b>351,800</b>	<b>4,190,800</b>	<b>5,441,000</b>	<b>524,200</b>	<b>5,965,200</b>
Net Position:						
Net Investment in						
Capital Assets	30,843,154	1,931	30,845,085	30,160,549	2,020	30,162,569
Restricted for						
Capital Projects	3,532,623	-0-	3,532,623	3,375,740	-0-	3,375,740
Unrestricted (Deficit)	<u>(81,529,945)</u>	<u>(1,305,340)</u>	<u>(82,835,285)</u>	<u>(80,367,340)</u>	<u>(1,598,920)</u>	<u>(81,966,260)</u>
<b>Total Net Position</b>	<b>(47,154,168)</b>	<b>(1,303,409)</b>	<b>(48,457,577)</b>	<b>(46,831,051)</b>	<b>(1,596,900)</b>	<b>(48,427,951)</b>

At June 30, 2021, the School District's total assets increased by \$74,493 as a result of capital activity during the year. Capital assets and other non-current assets increased due to the continued renovation of Elizabethtown Area Middle School, offset by the annual depreciation of capital assets. Current and other assets decreased due to payment of renovations, offset by the cash inflow from current operations. At June 30, 2021, the School District's total liabilities increased by \$4,175,158 primarily as the result of the increase in the net pension liability and net other postemployment benefits offset by a decrease in bonds payable and other current liabilities.

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.

# Elizabethtown Area School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

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

The results of this year's operations as a whole are reported in the statement of activities on pages 18 and 19. 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.

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, 2021 and 2020**  
**Changes in Net Position**

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	453,726	151,954	605,680	334,141	495,811	829,952
Operating Grants and Contributions	13,487,229	1,159,551	14,646,780	11,433,223	591,778	12,025,001
Capital Grants and Contributions	263,623	-0-	263,623	401,828	-0-	401,828
General Revenues:						
Property Taxes	38,095,181	-0-	38,095,181	36,682,818	-0-	36,682,818
Other Taxes	5,700,103	-0-	5,700,103	4,820,253	-0-	4,820,253
Unrestricted Grants and Subsidies	9,815,483	-0-	9,815,483	9,814,685	-0-	9,814,685
Unrestricted Contributions	978,384	-0-	978,384	968,698	-0-	968,698
Unrestricted Investment Earnings	168,162	570	168,732	575,035	4,506	579,541
Other General Revenues	269,794	-0-	269,794	72,480	-0-	72,480
Transfers	-0-	-0-	-0-	(8,509)	8,509	-0-
<b>Total Revenues</b>	<b>69,231,685</b>	<b>1,312,075</b>	<b>70,543,760</b>	<b>65,094,652</b>	<b>1,100,604</b>	<b>66,195,256</b>
Expenses:						
Instructional Programs	46,363,952	-0-	46,363,952	43,601,837	-0-	43,601,837
Instructional Student Support	4,749,770	-0-	4,749,770	4,692,859	-0-	4,692,859
Administrative, Financial, and Central Support Services	8,281,978	-0-	8,281,978	7,444,243	-0-	7,444,243
Operation and Maintenance of Plant Services	5,051,566	-0-	5,051,566	5,182,378	-0-	5,182,378
Pupil Transportation	2,422,357	-0-	2,422,357	2,409,688	-0-	2,409,688
Student Activities	1,081,723	-0-	1,081,723	1,215,090	-0-	1,215,090
Community Services	66,947	-0-	66,947	84,661	-0-	84,661
Interest on Long-Term Debt	1,536,509	-0-	1,536,509	1,711,368	-0-	1,711,368
Food Services	-0-	1,018,584	1,018,584	-0-	1,203,306	1,203,306
<b>Total Expenses</b>	<b>69,554,802</b>	<b>1,018,584</b>	<b>70,573,386</b>	<b>66,342,124</b>	<b>1,203,306</b>	<b>67,545,430</b>
<b>Increase (Decrease) in Net Position</b>	<b>(323,117)</b>	<b>293,491</b>	<b>(29,626)</b>	<b>(1,247,472)</b>	<b>(102,702)</b>	<b>(1,350,174)</b>

# Elizabethtown Area School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

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

For the year ended June 30, 2021, government wide revenues increased by \$4,137,033 due to over \$1,500,000 in COVID grant funding awarded during the year, as well as an increase of approximately \$1,400,000 in property taxes and an increase of \$687,000 in real estate transfer taxes. For the year ended June 30, 2021, government wide expenses increased by \$3,212,678, which included an increase of approximately \$1,260,000 in charter school tuition and \$861,000 of COVID related expenses.

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, 2021 and 2020**  
**Governmental Activities**

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional Programs	46,363,952	36,257,414	43,601,837	34,800,535
Instructional Student Support	4,749,770	4,119,177	4,692,859	3,960,836
Administrative, Financial and Central Support Services	8,281,978	6,683,779	7,444,243	6,764,029
Operation and Maintenance of Plant Services	5,051,566	4,713,028	5,182,378	4,865,679
Pupil Transportation	2,422,357	1,304,753	2,409,688	1,378,536
Student Activities	1,081,723	932,240	1,215,090	1,009,116
Community Services	66,947	66,947	84,661	84,661
Interest on Long-Term Debt	<u>1,536,509</u>	<u>1,272,886</u>	<u>1,711,368</u>	<u>1,309,540</u>
<b>Total Governmental Activities</b>	<b>69,554,802</b>	<b>55,350,224</b>	<b>66,342,124</b>	<b>54,172,932</b>
Unrestricted Grants and Subsidies		<b><u>(9,815,483)</u></b>		<b><u>(9,814,685)</u></b>
<b>Total Needs from Local Taxes and Other Revenues</b>		<b>45,534,741</b>		<b>44,358,247</b>

# Elizabethtown Area School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

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

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, 2021 and 2020**  
**Business-Type Activities**

	<u>2021</u>		<u>2020</u>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Food Services	1,018,584	(292,921)	1,203,306	115,717

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

### The School District Funds

As of June 30, 2021, the School District's governmental funds reported a combined fund balance of \$18,111,038, which is a decrease of \$2,316,695 over the previous year. The primary reason for this change is explained below:

The School District's capital projects fund was decreased \$4,300,499 with the renovations to the Elizabethtown Area Middle School. The general fund balance increased mostly as a result of increased federal funding received from multiple CARES sources related to the COVID-19 pandemic and the local economy being less impacted by COVID-19 than expected.

### 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 68.

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.



# Elizabethtown Area School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

### Capital Assets and Debt Administration

#### Capital Assets - Governmental Activities

As of June 30, 2021, the School District had \$81,415,819 invested in a broad range of capital assets, including land, buildings, furniture, and construction in progress, which increased by \$4,961,446 primarily due to the Elizabethtown Area Middle School renovation project. Overall, this amount represents a net increase (including additions, deletions, and depreciation) of \$2,982,902 from the previous year.

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

	<b>2021</b>	<b>2020</b>
Land and Land Improvements	4,401,845	4,683,931
Building and Building Improvements	68,277,587	69,809,873
Furniture and Equipment	2,619,884	2,810,830
Vehicles	111,602	84,828
Construction in Progress	<u>6,004,901</u>	<u>1,043,455</u>
	<b>81,415,819</b>	<b>78,432,917</b>

#### Debt Administration

As of July 1, 2020, the School District had a total outstanding bond principal of \$56,335,000. During the year, the School District decreased the principal in the amount of \$2,745,000. Current year debt service activity resulted in an ending outstanding debt as of June 30, 2021, of \$53,590,000.

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

	<b>2021</b>	<b>2020</b>
Issue:		
Series of 2012	-0-	4,790,000
Series of 2015	-0-	8,530,000
Series of 2015A	-0-	7,480,000
Series of 2016	5,320,000	5,335,000
Series of 2016A	4,400,000	4,440,000
Series of 2017	9,510,000	9,515,000
Series of 2019	6,635,000	7,170,000
Series of 2019A	9,070,000	9,075,000
Series of 2020	9,715,000	-0-
Series of 2020A	<u>8,940,000</u>	<u>-0-</u>
	<b>53,590,000</b>	<b>56,335,000</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.

## **Elizabethtown Area School District**

### MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

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

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

The 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. This growth continued through the 2020-2021 budget year despite the COVID-19 challenges and resulted in EIT revenues exceeding the budget by more than \$805,000. This wage tax is projected to continue to grow through 2021-2022 at a rate of 2.5% above 2020-2021 actual.

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

Budgeted revenue for the 2021-2022 school year is 3.6% higher than the previous year's budget. The millage rate for 2021-2022 is 18.0669, which is 2.9% higher than the previous year. Local revenue continues to provide the majority of funding for School District expenses as noted on page 10. Additionally, in the 2021-22 school year state funding remains relatively flat. The local earning income (wage) tax revenues are increased by 26% in the 2021-2022 budget versus the 2020-2021 budget.

**Elizabethtown Area School District**

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2021

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

The comparison of revenue and expenditure categories is as follows:

**Table A-7  
Budgeted Revenues**

	<b>2021-2022</b>	<b>2020-2021</b>
Local Sources	69.0%	68.0%
State Sources	29.3%	30.2%
Federal Sources	1.7%	1.8%

**Budgeted Expenditures**

	<b>2021-2022</b>	<b>2020-2021</b>
Instruction	63.4%	62.7%
Support Services	27.1%	28.3%
Athletics and Extracurricular	1.8%	1.9%
Fund Transfers/Debt	7.7%	7.1%

The School District anticipates increased costs for 2021-2022 related to COVID-19 primarily due to increased utilization of cyber charter schools by some families in the district. Additionally, the School District anticipates facility renovations associated with the high school and middle school complex five to seven year from now. The School District assigned fund balance at June 30, 2021, of \$3,700,000 with \$700,000 in anticipation of these additional cyber charter school expenses and \$3 million to future facility improvements.

**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 Daniel L. Forry, Director of Finance and Operations, **Elizabethtown Area School District**, 600 East High Street, Elizabethtown, PA 17022.

# Elizabethtown Area School District

## STATEMENT of NET POSITION

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 21,235,843	\$ 22,561	\$ 21,258,404
Investments	1,485,371	-0-	1,485,371
Taxes Receivable, net	1,530,553	-0-	1,530,553
Internal Balances	146,631	(146,631)	-0-
Due from Other Governments	3,666,199	39,373	3,705,572
Other Receivables	192,753	-0-	192,753
Prepaid Expenses	251,895	-0-	251,895
Inventories	<u>131,430</u>	<u>139,670</u>	<u>271,100</u>
<b>Total Current Assets</b>	<b>28,640,675</b>	<b>54,973</b>	<b>28,695,648</b>
<b>Capital Assets</b>			
Non-Depreciable	7,100,614	-0-	7,100,614
Depreciable, net	<u>74,315,205</u>	<u>1,931</u>	<u>74,317,136</u>
<b>Total Capital Assets</b>	<b>81,415,819</b>	<b>1,931</b>	<b>81,417,750</b>
<b>TOTAL ASSETS</b>	<b><u>110,056,494</u></b>	<b><u>56,904</u></b>	<b><u>110,113,398</u></b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Loss on Bond Refunding, net of Accumulated Amortization	113,522	-0-	113,522
Pension	16,395,500	162,000	16,557,500
Other Postemployment Benefits	<u>2,654,000</u>	<u>27,000</u>	<u>2,681,000</u>
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b><u>\$ 19,163,022</u></b>	<b><u>\$ 189,000</u></b>	<b><u>\$ 19,352,022</u></b>

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of NET POSITION

(Continued)

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,040,283	\$ 33,521	\$ 1,073,804
Current Portion of Long-Term Debt	2,615,000	-0-	2,615,000
Accrued Salaries and Benefits	6,127,074	994	6,128,068
Accrued Interest on Long-Term Debt	395,588	-0-	395,588
Payroll Deductions and Withholdings	288,052	-0-	288,052
Unearned Revenues	94,872	89,998	184,870
Due to Other Governments	493,589	-0-	493,589
Other Current Liabilities	655,867	-0-	655,867
	<b>11,710,325</b>	<b>124,513</b>	<b>11,834,838</b>
<b>Noncurrent Liabilities</b>			
Long-Term Portion of Bonds Payable, net of Unamortized Premiums and Discounts	53,050,872	-0-	53,050,872
Long-Term Portion of Compensated Absences	1,547,487	-0-	1,547,487
Net Pension Liability	97,078,000	981,000	98,059,000
Net Other Postemployment Benefit Liabilities	9,148,000	92,000	9,240,000
	<b>160,824,359</b>	<b>1,073,000</b>	<b>161,897,359</b>
	<b>172,534,684</b>	<b>1,197,513</b>	<b>173,732,197</b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Pension	2,793,000	340,800	3,133,800
Other Postemployment Benefits	1,046,000	11,000	1,057,000
	<b>3,839,000</b>	<b>351,800</b>	<b>4,190,800</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	30,843,154	1,931	30,845,085
Restricted for:			
Capital Projects	3,532,623	-0-	3,532,623
Unrestricted (Deficit)	(81,529,945)	(1,305,340)	(82,835,285)
	<b>\$ (47,154,168)</b>	<b>\$ (1,303,409)</b>	<b>\$ (48,457,577)</b>

See notes to financial statements.

## Elizabethtown Area School District

### STATEMENT of ACTIVITIES

Year Ended June 30, 2021

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
Governmental Activities:							
Instruction	\$ 46,363,952	\$ 391,348	\$ 9,715,190	\$ -0-	\$ (36,257,414)	\$ -0-	\$ (36,257,414)
Instructional Student Support	4,749,770	-0-	630,593	-0-	(4,119,177)	-0-	(4,119,177)
Administrative, Financial, and Central Support Services	8,281,978	-0-	1,598,199	-0-	(6,683,779)	-0-	(6,683,779)
Operation and Maintenance of Plant Services	5,051,566	16,704	321,834	-0-	(4,713,028)	-0-	(4,713,028)
Pupil Transportation	2,422,357	-0-	1,117,604	-0-	(1,304,753)	-0-	(1,304,753)
Student Activities	1,081,723	45,674	103,809	-0-	(932,240)	-0-	(932,240)
Community Services	66,947	-0-	-0-	-0-	(66,947)	-0-	(66,947)
Interest on Long-Term Debt	1,536,509	-0-	-0-	263,623	(1,272,886)	-0-	(1,272,886)
<b>Total Governmental Activities</b>	<b>69,554,802</b>	<b>453,726</b>	<b>13,487,229</b>	<b>263,623</b>	<b>(55,350,224)</b>	<b>-0-</b>	<b>(55,350,224)</b>
Business-Type Activities:							
Food Services	<u>1,018,584</u>	<u>151,954</u>	<u>1,159,551</u>	<u>-0-</u>	<u>-0-</u>	<u>292,921</u>	<u>292,921</u>
<b>Total Primary Government</b>	<b><u>\$ 70,573,386</u></b>	<b><u>\$ 605,680</u></b>	<b><u>\$ 14,646,780</u></b>	<b><u>\$ 263,623</u></b>	<b>\$ (55,350,224)</b>	<b>\$ 292,921</b>	<b>\$ (55,057,303)</b>

See notes to financial statements.

## Elizabethtown Area School District

### STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2021

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
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					\$ 38,095,181	\$ -0-	\$ 38,095,181
Public Utility Realty, Earned Income, and Other Taxes Levied for General Purposes, net					5,700,103	-0-	5,700,103
Unrestricted Grants and Subsidies					9,815,483	-0-	9,815,483
Unrestricted Contributions					978,384	-0-	978,384
Unrestricted Investment Earnings					168,162	570	168,732
Other General Revenues					269,794	-0-	269,794
<b>Total General Revenues and Transfers</b>					<b>55,027,107</b>	<b>570</b>	<b>55,027,677</b>
<b>CHANGES in NET POSITION</b>					<b>(323,117)</b>	<b>293,491</b>	<b>(29,626)</b>
<b>NET POSITION</b>							
Beginning					(46,831,051)	(1,596,900)	(48,427,951)
Ending					<b>\$ (47,154,168)</b>	<b>\$ (1,303,409)</b>	<b>\$ (48,457,577)</b>

See notes to financial statements.

# Elizabethtown Area School District

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 10,895,906	\$ 8,672,027	\$ -0-	\$ 19,567,933
Investments	1,485,366	5	-0-	1,485,371
Taxes Receivable, net	1,530,553	-0-	-0-	1,530,553
Due from Other Funds	8,082	-0-	-0-	8,082
Interfund Advances Receivable	146,631	-0-	-0-	146,631
Due from Other Governments	3,666,199	-0-	-0-	3,666,199
Other Receivables	42,646	-0-	-0-	42,646
Prepaid Expenses	42,896	-0-	-0-	42,896
Inventories	131,430	-0-	-0-	131,430
	<b>17,949,709</b>	<b>8,672,032</b>	<b>-0-</b>	<b>26,621,741</b>
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	888,225	45,694	-0-	933,919
Retainage Payable	-0-	106,364	-0-	106,364
Due to Other Funds	-0-	7,666	-0-	7,666
Accrued Salaries and Benefits	6,127,074	-0-	-0-	6,127,074
Payroll Deductions and Withholdings	288,052	-0-	-0-	288,052
Payable to Other Governments	493,589	-0-	-0-	493,589
Unearned Revenue	94,872	-0-	-0-	94,872
	<b>7,891,812</b>	<b>159,724</b>	<b>-0-</b>	<b>8,051,536</b>
<b>DEFERRED INFLOWS of RESOURCES</b>				
Delinquent Taxes	459,167	-0-	-0-	459,167
<b>FUND BALANCES</b>				
Nonspendable	320,957	-0-	-0-	320,957
Restricted	-0-	8,512,308	-0-	8,512,308
Committed	400,000	-0-	-0-	400,000
Assigned	3,700,000	-0-	-0-	3,700,000
Unassigned	5,177,773	-0-	-0-	5,177,773
	<b>9,598,730</b>	<b>8,512,308</b>	<b>-0-</b>	<b>18,111,038</b>
	<b>9,598,730</b>	<b>8,512,308</b>	<b>-0-</b>	<b>18,111,038</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES</b>	<b>\$ 17,949,709</b>	<b>\$ 8,672,032</b>	<b>\$ -0-</b>	<b>\$ 26,621,741</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, 2021

Total Fund Balances - Governmental Funds \$ 18,111,038

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 \$117,605,460 and the accumulated depreciation is \$36,189,641 81,415,819

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. 1,370,733

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. 459,167

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	(53,590,000)
Accrued Interest on Long-Term Debt	(395,588)
Bond Premiums and Discounts, net of Amortization	(2,075,872)
Compensated Absences	(1,547,487)
Net Other Postemployment Benefit (OPEB) Liabilities	(9,148,000)
Net Pension Liability	(97,078,000)

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. 19,163,022

Deferred inflows of resources - pension and OPEB are not due and collectable in the current period and, therefore, are not reported in the funds. (3,839,000)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (47,154,168)**

See notes to financial statements.

## Elizabethtown Area School District

### STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 39,161,389	\$ -0-	\$ -0-	\$ 39,161,389
Other Taxes	5,700,103	-0-	-0-	5,700,103
Investment Earnings	118,040	45,372	-0-	163,412
Other Revenue	2,005,597	-0-	-0-	2,005,597
Total Local Sources	46,985,129	45,372	-0-	47,030,501
State Sources	20,380,782	-0-	-0-	20,380,782
Federal Sources	1,866,173	-0-	-0-	1,866,173
<b>Total Revenues</b>	<b>69,232,084</b>	<b>45,372</b>	<b>-0-</b>	<b>69,277,456</b>
<b>EXPENDITURES</b>				
Instructional Services	42,328,304	-0-	-0-	42,328,304
Support Services	18,730,841	654,052	-0-	19,384,893
Noninstructional Services	1,067,055	-0-	-0-	1,067,055
Capital Outlay	-0-	4,791,819	-0-	4,791,819
Debt Service	-0-	-0-	4,259,869	4,259,869
<b>Total Expenditures</b>	<b>62,126,200</b>	<b>5,445,871</b>	<b>4,259,869</b>	<b>71,831,940</b>
<b>EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES</b>	<b>7,105,884</b>	<b>(5,400,499)</b>	<b>(4,259,869)</b>	<b>(2,554,484)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of Prior Year Expenditures	42,948	-0-	-0-	42,948
Proceeds of Refunding Bonds	-0-	-0-	19,990,000	19,990,000
Payments to Refunded Bond Escrow Agent	-0-	-0-	(20,305,000)	(20,305,000)
Premium on Issuance of Debt	-0-	-0-	837,520	837,520
Transfers In (Out)	(5,159,377)	1,100,000	4,059,377	-0-
Bond Issuance Costs	-0-	-0-	(322,028)	(322,028)
Refund of Prior Year Receipts	(5,651)	-0-	-0-	(5,651)
<b>Net Other Financing Sources (Uses)</b>	<b>(5,122,080)</b>	<b>1,100,000</b>	<b>4,259,869</b>	<b>237,789</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>1,983,804</b>	<b>(4,300,499)</b>	<b>-0-</b>	<b>(2,316,695)</b>
<b>FUND BALANCES</b>				
Beginning	7,614,926	12,812,807	-0-	20,427,733
<b>Ending</b>	<b>\$ 9,598,730</b>	<b>\$ 8,512,308</b>	<b>\$ -0-</b>	<b>\$ 18,111,038</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, 2021

Net Changes in Fund Balances - Total Governmental Funds \$ (2,316,695)

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	(2,164,398)	
Capital Outlays	<u>5,147,300</u>	2,982,902

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. (87,824)

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. (587,915)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,745,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. 43,755

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. \$ (49,598)

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, 2021

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.

\$ (190,000)

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.

(2,274,700)

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.

(588,042)

**CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES**

**\$ (323,117)**

# Elizabethtown Area School District

## STATEMENT of NET POSITION -

### PROPRIETARY FUNDS

June 30, 2021

	<u>Major Enterprise Fund Food Service Fund</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 22,561	\$ 1,667,910
Due from Other Governments	39,373	-0-
Other Receivables	-0-	149,691
Inventories	139,670	208,999
<b>Total Current Assets</b>	<b>201,604</b>	<b>2,026,600</b>
<b>Capital Assets</b>		
Depreciable, net	<u>1,931</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b><u>203,535</u></b>	<b><u>2,026,600</u></b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>		
Pension	162,000	-0-
Other Postemployment Benefits	<u>27,000</u>	<u>-0-</u>
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b><u>189,000</u></b>	<b><u>-0-</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	33,521	655,867
Due to Other Funds	146,631	-0-
Other Payables	994	-0-
Unearned Revenues	<u>89,998</u>	<u>-0-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>271,144</b>	<b>655,867</b>
<b>Noncurrent Liabilities</b>		
Net Pension Liability	981,000	-0-
Net Other Postemployment Benefits (OPEB) Liability	<u>92,000</u>	<u>-0-</u>
<b>Total Noncurrent Liabilities</b>	<b><u>1,073,000</u></b>	<b><u>-0-</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>1,344,144</u></b>	<b><u>655,867</u></b>
<b>DEFERRED INFLOWS of RESOURCES</b>		
Pension	340,800	-0-
Other Postemployment Benefits	<u>11,000</u>	<u>-0-</u>
<b>TOTAL DEFERRED INFLOWS of RESOURCES</b>	<b><u>351,800</u></b>	<b><u>-0-</u></b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,931	-0-
Unrestricted (Deficit)	<u>(1,305,340)</u>	<u>1,370,733</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (1,303,409)</u></b>	<b><u>\$ 1,370,733</u></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, 2021

	<b>Major</b>	
	<b><u>Enterprise Fund</u></b>	
	<b>Food Service</b>	<b>Internal Service</b>
	<b>Fund</b>	<b>Fund</b>
<b>OPERATING REVENUES</b>		
Food Service Revenue	\$ 151,954	\$ -0-
Charges for Services	<u>-0-</u>	<u>6,221,916</u>
<b>Total Operating Revenues</b>	<b>151,954</b>	<b>6,221,916</b>
<b>OPERATING EXPENSES</b>		
Salaries	193,872	-0-
Employee Benefits	13,046	6,297,688
Other Purchased Services	670,953	-0-
Repairs and Maintenance	9,806	-0-
Supplies	130,016	-0-
Insurance Expense	-0-	390,881
Administrative Expense	-0-	126,140
Depreciation	89	-0-
Other Operating Expenses	<u>802</u>	<u>-0-</u>
<b>Total Operating Expenses</b>	<b><u>1,018,584</u></b>	<b><u>6,814,709</u></b>
<b>OPERATING LOSS</b>	<b>(866,630)</b>	<b>(592,793)</b>
<b>NONOPERATING REVENUES</b>		
Investment Earnings	570	4,751
State Sources	70,170	-0-
Federal Sources	<u>1,089,381</u>	<u>-0-</u>
<b>Net Nonoperating Revenues</b>	<b><u>1,160,121</u></b>	<b><u>4,751</u></b>
<b>CHANGES in NET POSITION</b>	<b>293,491</b>	<b>(588,042)</b>
<b>NET POSITION</b>		
Beginning	<u>(1,596,900)</u>	<u>1,958,775</u>
<b>Ending</b>	<b><u>\$ (1,303,409)</u></b>	<b><u>\$ 1,370,733</u></b>

See notes to financial statements.

# Elizabethtown Area School District

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

Year Ended June 30, 2021

	<b>Major Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Food Service Fund</b>	<b>Fund</b>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Cash Received from Users	\$ 127,446	\$ -0-
Cash Received from Assessments Made to Other Funds	-0-	6,276,275
Cash Payments to Employees for Services	(495,385)	-0-
Cash Payments to Suppliers for Goods and Services	<u>(684,095)</u>	<u>(6,635,585)</u>
<b>Net Cash Used by Operating Activities</b>	<b>(1,052,034)</b>	<b>(359,310)</b>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	68,768	-0-
Federal Sources	<u>947,280</u>	<u>-0-</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,016,048</b>	<b>-0-</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
Investment Earnings	570	4,751
Purchase of Investments	<u>-0-</u>	<u>397,938</u>
<b>Net Cash Provided by Investing Activities</b>	<b>570</b>	<b>402,689</b>
<b>INCREASE (DECREASE) in CASH and CASH EQUIVALENTS</b>	<b>(35,416)</b>	<b>43,379</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning of Year	<u>57,977</u>	<u>1,624,531</u>
<b>End of Year</b>	<b><u>\$ 22,561</u></b>	<b><u>\$ 1,667,910</u></b>

See notes to financial statements.

**Elizabethtown Area School District**

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

(Continued)

Year Ended June 30, 2021

	<b>Major Enterprise Fund</b>		<b>Internal Service Fund</b>
	<b>Food Service Fund</b>		<b>Fund</b>
<b>RECONCILIATION of OPERATING LOSS to NET CASH USED by OPERATING ACTIVITIES</b>			
Operating Loss	\$ (866,630)	\$	(592,793)
<b>ADJUSTMENTS to RECONCILE OPERATING LOSS to NET CASH USED by OPERATING ACTIVITIES</b>			
Depreciation	89		-0-
Use of USDA Commodities	112,162		-0-
Pension-Related Changes Other than Periodic Pension Costs	(134,400)		-0-
OPEB-Related Changes Other than Periodic OPEB Costs	2,000		-0-
(Increase) Decrease in:			
Interfund Receivable	(168,266)		54,359
Inventory	(7,891)		-0-
Other Current Assets	-0-		(76,509)
Increase (Decrease) in:			
Accounts Payable	8,378		255,633
Accrued Salaries and Benefits	598		-0-
Interfund Payable	26,434		-0-
Unearned Revenue	(24,508)		-0-
<b>Total Adjustments</b>	<b>(185,404)</b>		<b>233,483</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,052,034)</b>	<b>\$</b>	<b>(359,310)</b>

**SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION**

**NONCASH, NONCAPITAL, and RELATED FINANCING ACTIVITIES**

Receipt of USDA Donated Commodities	104,130		-0-
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See notes to financial statements.



# Elizabethtown Area School District

## STATEMENT of NET POSITION -

### FIDUCIARY FUND

June 30, 2021

	<b>Custodial Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 552,155
Other Receivables	<u>904</u>
<b>TOTAL ASSETS</b>	<b><u>553,059</u></b>
<b>LIABILITIES</b>	
Accounts Payable	9,836
Due to Other Funds	<u>416</u>
<b>TOTAL LIABILITIES</b>	<b>10,252</b>
<b>NET POSITION</b>	
Restricted for:	
Held in Trust for Scholarships	108,754
Held in Trust for Health Programs	397
Endowments	324,869
Student Activities	<u>108,787</u>
<b>TOTAL NET POSITION</b>	<b><u>542,807</u></b>
<b>TOTAL LIABILITIES and NET POSITION</b>	<b><u>\$ 553,059</u></b>

See notes to financial statements.

**Elizabethtown Area School District**

STATEMENT of CHANGES in NET POSITION -

FIDUCIARY FUND

Year Ended June 30, 2021

	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 8,200
Fees and Collections	46,152
Investment Earnings	<u>1,223</u>
<b>Total Additions</b>	<b>55,575</b>
<b>DEDUCTIONS</b>	
Student Activity Expenses	45,836
Scholarships Awarded	<u>15,127</u>
<b>Total Deductions</b>	<b>60,963</b>
<b>CHANGES in NET POSITION</b>	<b>(5,388)</b>
<b>NET POSITION</b>	
Beginning	439,724
Prior Period Adjustment (Note 21)	<u>108,471</u>
Beginning, Restated	<u>548,195</u>
<b>Ending</b>	<b><u>\$ 542,807</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, 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 3,900 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, 2021, was approximately \$1,050,000. 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, 2021, was \$69,022, 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, 2021. 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, 2021, was \$1,211,479. 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, 2021, was \$49,960. 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, 2021, was \$57,930. Complete financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

#### **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.

#### **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.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

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

##### **Government-Wide Financial Statements (Continued)**

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.

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.

# 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)

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

#### Basis of Accounting

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

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

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

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

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, 2021, which are not intended to finance fiscal 2021 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. Derived tax revenues (earned income taxes) are recognized when received, as the amounts are not reasonably estimable prior to receipt.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, revenues from nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund’s principal ongoing operations. The principal operating revenues of the 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.

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.



# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### **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, 2021. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. The inventory cost has been recorded as an asset in the governmental funds.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2021, 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, 2021, 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 and defined contribution pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

#### **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.

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.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Fund Balance Classification (Continued)

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 2021.

#### Current Year Changes in Accounting Principles

During the current year, the School District adopted GASB 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. Upon implementation of this standard, both the private purpose trust and agency funds are now reported as the custodial fund in the School District's financial statements. Additionally, a prior period adjustment was made to the beginning net position of the custodial fund. See Note 21 for additional information.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Pending Changes in Accounting Principles

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, 2022, 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, 2022, financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) in which a government compensates an operator of a nonfinancial asset for services for a period of time in an exchange transaction. The provisions of this statement are effective for the School District's June 30, 2023, financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. The provisions of this statement are effective for the School District's June 30, 2023, financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this statement are effective for the School District's June 30, 2022, 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, 2021, \$22,000,940 of the School District's bank balance of \$22,250,940 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>22,000,940</u>
	<b>22,000,940</b>

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

Uninsured Amount Above	22,000,940
Insured Amount	<u>250,000</u>
Bank Balance	22,250,940
Outstanding Checks	<u>(441,036)</u>
Carrying Amount - Bank Balances	21,809,904
Petty Cash	<u>655</u>
<b>Total Cash and Cash Equivalents Per Financial Statements</b>	<b>21,810,559</b>

# 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. The School District currently does not have any investments that are measured at fair value.

At June 30, 2021, the School District holds the following investments recorded at cost or amortized cost:

PSDLAF MAX Series	1,485,371
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The Pennsylvania School District Liquid Asset Fund (PSDLAF) MAX Series balances are liquid.

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 PriceWaterhouseCoopers, 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, 2021, the School District investments were rated as:

Investments	Standard & Poor's
PSDLAF - MAX Series	AAAm

#### Concentration of Credit Risk

The School District places no limit on the amount they may invest in any one issuer. At June 30, 2021, the School District does not have any concentration of credit risk in its investments.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### 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, 2021.

### 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, 2021, was 17.5577 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2021, 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)

The School Board approved to extend the deadline for the payment of the School District real estate taxes without penalty during the base period until December 31, 2020.

### 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, 2021, are as follows:

	<b>Taxes Receivable</b>	<b>Estimated Uncollectable</b>	<b>Net Taxes Receivable</b>	<b>Revenue Recognized</b>	<b>Deferred Taxes</b>
Real Estate Taxes	648,104	-0-	648,104	188,937	459,167
Realty Transfer Taxes	92,595	-0-	92,595	92,595	-0-
Earned Income Taxes	<u>789,854</u>	<u>-0-</u>	<u>789,854</u>	<u>789,854</u>	<u>-0-</u>
	<b>1,530,553</b>	<b>-0-</b>	<b>1,530,553</b>	<b>1,071,386</b>	<b>459,167</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, 2021, the following amounts are due from other governmental units:

Due From	General Fund	Food Service Fund
Federal Grants	498,458	37,971
State Retirement Subsidy	1,808,926	-0-
State Social Security Subsidy	384,146	-0-
Other State Subsidy	236,058	1,402
Local	<u>738,611</u>	<u>-0-</u>
	<b>3,666,199</b>	<b>39,373</b>

### NOTE 6 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2021, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	8,082	-0-
Capital Projects Fund	-0-	7,666
Custodial Fund	<u>-0-</u>	<u>416</u>
	<b>8,082</b>	<b>8,082</b>

The general fund has interfund receivables that represent other fund expenses that were paid for by the general fund on behalf of the capital project fund and custodial fund.

At June 30, 2021, there is a net interfund advances receivable and payable between the general fund and enterprise fund - food service fund, respectively, in the amount of \$146,631. This interfund activity represents amounts due from the enterprise fund - food service fund for salaries and benefits of employees paid for by the general fund.

Interfund transfers for the year ended June 30, 2021, are as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	5,159,377
Capital Projects Fund	1,100,000	-0-
Debt Service Fund	<u>4,059,377</u>	<u>-0-</u>
	<b>5,159,377</b>	<b>5,159,377</b>

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.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 7 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	1,095,713	-0-	-0-	1,095,713
Construction in Progress	<u>1,043,455</u>	<u>4,961,446</u>	<u>-0-</u>	<u>6,004,901</u>
<b>Total Cost</b>	<b>2,139,168</b>	<b>4,961,446</b>	<b>-0-</b>	<b>7,100,614</b>
Capital Assets Being Depreciated:				
Land Improvements	7,877,632	-0-	975,672	6,901,960
Building and Building Improvements	97,507,896	16,961	87,500	97,437,357
Furniture and Equipment	6,687,336	126,227	1,058,955	5,754,608
Vehicles	<u>434,905</u>	<u>42,666</u>	<u>66,650</u>	<u>410,921</u>
<b>Total Cost</b>	<b>112,507,769</b>	<b>185,854</b>	<b>2,188,777</b>	<b>110,504,846</b>
Accumulated Depreciation:				
Land Improvements	4,289,414	282,086	975,672	3,595,828
Building and Building Improvements	27,698,023	1,549,247	87,500	29,159,770
Furniture and Equipment	3,876,506	317,173	1,058,955	3,134,724
Vehicles	<u>350,077</u>	<u>15,892</u>	<u>66,650</u>	<u>299,319</u>
<b>Total Accumulated Depreciation</b>	<b>36,214,020</b>	<b>2,164,398</b>	<b>2,188,777</b>	<b>36,189,641</b>
<b>Net Capital Assets Being Depreciated</b>	<b><u>76,293,749</u></b>	<b><u>(1,978,544)</u></b>	<b><u>-0-</u></b>	<b><u>74,315,205</u></b>
<b>Net Capital Assets</b>	<b>78,432,917</b>	<b>2,982,902</b>	<b>-0-</b>	<b>81,415,819</b>

Capital asset activity for business-type activities for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Historical Cost:				
Capital Assets Being Depreciated:				
Equipment	77,507	-0-	-0-	77,507
Accumulated Depreciation:				
Equipment	<u>75,487</u>	<u>89</u>	<u>-0-</u>	<u>75,576</u>
<b>Net Capital Assets</b>	<b>2,020</b>	<b>89</b>	<b>-0-</b>	<b>1,931</b>

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

Depreciation expenses were charged to governmental functions as follows:

Instructional Programs	1,475,088
Instructional Student Support	151,570
Administration and Financial Support Services	255,130
Operation and Maintenance of Plant Services	164,260
Transportation	81,200
Student Activities	34,900
Community Services	<u>2,250</u>
	<b>2,164,398</b>

### NOTE 8 - ACCRUED SALARIES and BENEFITS

At June 30, 2021, the School District was liable for \$6,128,068 of payroll and benefits payable during July and August 2021, 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, 2021, 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 \$94,872 as of June 30, 2021.

Unearned revenue in the food service fund consists of prepaid lunch sales and deferred revenue related to donated commodities of \$89,998 as of June 30, 2021.

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

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### General Obligation Debt (Continued)

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

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 (1) finance the renovations for Elizabethtown Area Middle School and Rheems Elementary School, and (2) pay costs of issuing the bonds. The bonds bear interest rates ranging from 1.20% to 4.00% with principal maturities from \$5,000 to \$960,000.

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 to \$1,600,000.

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. These bonds were fully redeemed upon issuance of the Series A of 2020 bonds.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### General Obligation Debt (Continued)

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. These bonds were fully redeemed upon issuance of the Series of 2020 bonds.

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 \$1,260,000. These bonds were fully redeemed upon issuance of the Series A of 2020 bonds and Series of 2020 bonds.

Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2021, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2021	Due Within One Year
Series of 2016	09/01/2032	.90% - 3.00%	5,320,000	15,000
Series A of 2016	09/01/2039	.90% - 4.00%	4,400,000	45,000
Series of 2017	11/15/2039	1.00% - 4.00%	9,510,000	5,000
Series of 2019	03/01/2025	2.00% - 4.00%	6,635,000	865,000
Series A of 2019	09/01/2043	1.20% - 4.00%	9,070,000	5,000
Series of 2020	11/15/2030	.64% - 4.00%	9,715,000	230,000
Series A of 2020	11/15/2030	.52% - 4.00%	<u>8,940,000</u>	<u>1,450,000</u>
			<b>53,590,000</b>	<b>2,615,000</b>

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

	Interest	Principal	Total
2022	1,685,686	2,615,000	4,300,686
2023	1,616,764	2,315,000	3,931,764
2024	1,524,191	2,410,000	3,934,191
2025	1,436,591	2,510,000	3,946,591
2026	1,359,419	2,580,000	3,939,419
2027 - 2031	5,809,847	13,800,000	19,609,847
2032 - 2036	4,044,078	12,665,000	16,709,078
2037 - 2041	1,614,000	11,930,000	13,544,000
2042 - 2044	<u>168,900</u>	<u>2,765,000</u>	<u>2,933,900</u>
	<b>19,259,476</b>	<b>53,590,000</b>	<b>72,849,476</b>

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### General Obligation Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
General Obligation Debt	56,335,000	19,990,000	(22,735,000)	53,590,000
Net Bond Premium (Discount)	1,499,709	837,521	(261,358)	2,075,872
Deferred Loss on Bond Refunding	(125,274)	-0-	11,752	(113,522)
Estimated Liability for Compensated Absences	<u>1,497,889</u>	<u>131,773</u>	<u>(82,175)</u>	<u>1,547,487</u>
	<b>59,207,324</b>	<b>20,959,294</b>	<b>(23,066,781)</b>	<b>57,099,837</b>

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 and debt insurance costs incurred during the year ended June 30, 2021, were \$1,536,509, all of which was charged to expense.

### NOTE 11 - OPERATING LEASES

The School District leases copiers under an operating lease that was extended through June 30, 2022. Total rental expense for the operating leases reflected in the accompanying financial statements is \$111,412 during the year ended June 30, 2021. Minimum future rental payments under the extended operating lease as of June 30, 2021, is as follows:

2021	98,820
------	--------

On June 29, 2012, Lancaster County Career and Technology Center Authority issued Guaranteed Lease Revenue Bonds, Series of 2012, totaling \$9,995,000. On June 30, 2020, LCCTC refinanced Guaranteed Lease Revenue Bonds, Series of 2017 (refunding of Guaranteed Lease Revenue Bonds, Series of 2013), and Guaranteed Lease Revenue Bonds, Series of 2014, and issued Guaranteed Lease Revenue Bonds, Series of 2020, totaling \$11,145,000. The original bonds were issued for the purpose of providing funds for renovations and additions and various other ongoing and proposed capital projects on LCCTC facilities. The 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.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 11 - OPERATING LEASES (Continued)

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

Fiscal Year Ended June 30,	Estimated Future Minimum Rental Payments
2022	69,034
2023	68,765
2024	68,477
2025	68,656
2026	69,015
2027 - 2031	339,801
2032 - 2036	336,453
2037	<u>67,356</u>
	<b>1,087,557</b>

### 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, 2021:

Accumulated Sick Days	765,800
Accumulated Vacation Days	123,090
Accrued Service Stipend	<u>658,597</u>
	<b>1,547,487</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).

# 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**

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.

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 one of 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%.



# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

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

##### **Employer Contributions**

The School District's contractually required contribution rate for fiscal year ended June 30, 2021, was 33.43% 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 \$9,527,000 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$98,059,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.1992%, which was an increase of .0026% from its proportion measured as of June 30, 2020.

The School District used to allocate the pension related items between the governmental activities and business-type activities with a 98% to 2% split. Due to the increase utilization of outsourced services in the business-type activities, the allocation was changed to a 99% to 1% split and the resulting re-allocation of pension-related items is amortized over a 5-year period with the following activity during the year ended June 30, 2021:

	<b>Deferred (Inflow) of Resources Governmental Activities</b>	<b>Deferred Outflow of Resources Business-Type Activities</b>	<b>Total</b>
Beginning of Year	(469,200)	469,200	-0-
Amortization	<u>156,400</u>	<u>(156,400)</u>	<u>-0-</u>
End of Year	<b>(312,800)</b>	<b>312,800</b>	<b>-0-</b>

For the year ended June 30, 2021, the School District recognized pension expense of \$11,667,300. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# 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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	256,000	2,350,000
Changes in Assumptions	-0-	-0-
Net Difference Between Projected and Actual Investment Earnings	4,310,000	-0-
Change in Proportions	2,067,700	471,000
Difference between Employer Contributions and Proportionate Share of Total Contributions	84,000	-0-
Contributions Subsequent to the Measurement Date	<u>9,527,000</u>	<u>-0-</u>
	<b>16,244,700</b>	<b>2,821,000</b>

The amount of \$9,527,000 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, 2022. 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:	
2022	307,250
2023	725,250
2024	1,577,000
2025	<u>1,287,200</u>
	<b>3,896,700</b>

#### Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined by rolling forward PSERS's total pension liability as of the June 30, 2019 to June 30, 2020, 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, 2020. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	15.0%	5.2%
Private Equity	15.0%	7.2%
Fixed Income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute Return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real Estate	10.0%	5.5%
Risk Parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	<u>(14.0%)</u>	(0.7%)
	<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, 2020.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on 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% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's Proportionate Share of the Net Pension Liability	121,338,000	98,059,000	78,366,000

#### 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, 2021, the School District reported a payable of \$2,895,551 to PSERS. \$184,897 was withheld from participants' pay during June 2021, and is payable to PSERS by July 10, 2021. \$2,710,654 is the School District's contribution attributable to payroll during the second quarter of 2021, 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, are 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.

Membership Class T-G, one of the hybrid options, contains a "shared risk" provision whereby Membership Class T-G member contribution rates into the defined benefit plan can fluctuate between 2.5% and 8.5% (5.5% currently). In addition, employees electing this class contribute 2.75% into the defined contribution plan. The School District is required to contribute 2.25% into the defined contribution plan. This is the default option.

Membership Class T-H, one of the hybrid options, contains a "shared risk" provision whereby Membership Class T-H member contribution rates into the defined benefit plan can fluctuate between 1.5% and 7.5% (4.5% currently). In addition, employees electing this class contribute 3.00% into the defined contribution plan. The School District is required to contribute 2.00% into the defined contribution plan.

Membership Class DC, the defined contribution option, requires that employees electing this class contribute 7.5% into the defined contribution plan and the School District will contribute 2.00%.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Pension Reform (Continued)

The School District will continue to contribute to the defined benefit portion of PSERS based on an actuarially determined contribution rate which will continue to be calculated as a percent of all compensation of PSERS eligible employees but now reduced by the amounts already remitted to the defined contribution plan portion.

The total School District contribution into the defined contribution plan portion of PSERS was \$50,912 for the year ended June 30, 2021.

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

### 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, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	16
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	<u>403</u>
	<b>419</b>

##### Total OPEB Liability

The School District's total OPEB liability of \$4,936,000 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2019.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

##### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019, 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: 3.50%, 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: 5.5% for 2020, decreasing 0.1% or less per year to an ultimate rate of 4.7% for 2055 and later years.

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

Mortality Rates:

Preretirement - PubT.H. 2000 Employee with Mortality Improvement Scale MP-2018 (Male and Female).

Postretirement - PubT.H. 2000 Healthy Annuitant with Mortality Improvement Scale MP-2018 (Male and Female).

The actuarial assumptions used in the July 1, 2019, valuation were based on a review of previously utilized assumptions and other inputs by the plan's actuary.

##### Changes in the Total OPEB Liability

<b>Balance, June 30, 2020</b>	<b>4,826,000</b>
Changes for the Year	
Service Cost	161,000
Interest	168,000
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	-0-
Benefit Payments	<u>(219,000)</u>
<b>Net Changes</b>	<b><u>110,000</u></b>
<b>Balance, June 30, 2021</b>	<b>4,936,000</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

2.5% Discount Rate (1.0% Decrease)	5,384,000
3.5% Discount Rate (Current Rate)	4,936,000
4.5% Discount Rate (1.0% Increase)	4,535,000

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

##### 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

4.40% Decreasing to 3.70% (1% Decrease)	4,027,000
5.40% Decreasing to 4.70% (Current Rate)	4,936,000
6.40% Decreasing to 5.70% (1% Increase)	5,999,000

#### 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, 2020, 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 24½ 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, 2020, there were no assumed future benefit increases to participating eligible retirees.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

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

###### **Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$232,000 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$4,304,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2020, the School District's proportion was 0.1922%, which was an increase of 0.0026% from its proportion measured as of June 30, 2019. For the year ended June 30, 2021, the School District recognized OPEB expense of \$225,000 related to this plan.

###### **Actuarial Assumptions**

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

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

Investment Return: 2.79%, 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, 2019, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015. The following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2018, determined the employer contribution rate for fiscal year 2020.

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



# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

##### Actuarial Assumptions (Continued)

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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.30%	(1.00%)
US Core Fixed Income	46.50%	(0.10%)
Non-US Developed Fixed	<u>3.20%</u>	(0.10%)
	<b>100.00%</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, 2020.

##### Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. 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 2.66% which represents the S&P 20-year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

##### 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

1.66% Discount Rate (1.0% Decrease)	4,907,000
2.66% Discount Rate (Current Rate)	4,304,000
3.66% Discount Rate (1.0% Increase)	3,805,000

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped as a maximum of \$1,200. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has minimal impact on the following healthcare cost trends.

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	4,303,000
Current Rate	4,304,000
1% Increase	4,305,000

##### 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, 2021, the School District recognized OPEB expense of \$642,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### AGGREGATE OPEB INFORMATION (Continued)

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions and Benefit Payments After the Measurement Date	451,000	-0-
Differences Between Expected and Actual Experience	39,200	927,000
Difference Between Projected and Actual Investment Earnings	7,800	-0-
Changes of Assumptions	2,010,000	82,000
Changes in Proportion	<u>173,000</u>	<u>48,000</u>
	<b>2,681,000</b>	<b>1,057,000</b>

\$451,000 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, 2022. 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:

2022	173,000
2023	162,000
2024	162,000
2025	208,000
2026	174,000
Thereafter	<u>294,000</u>
	<b>1,173,000</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 \$195,000 per individual and \$5,620,958 in total for medical and prescription claims for the year ended June 30, 2021. The School District has recorded a liability for claims incurred prior to June 30, 2021, and paid subsequently in the amount of \$655,867.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 15 - RISK MANAGEMENT (Continued)

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

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

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

	June 30, 2021	June 30, 2020
Claim Liability - Beginning of Year	400,234	112,481
Current Year Claims and Changes in Estimates	6,553,321	5,610,379
Claim Payments by School District	<u>(6,297,688)</u>	<u>(5,322,626)</u>
<b>Claim Liability - End of Year</b>	<b>655,867</b>	<b>400,234</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, 2021, 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, 2021, 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	42,896
General Fund - Nonspendable Inventories	131,430
General Fund - Nonspendable Interfund Advances Receivable	<u>146,631</u>
	<b>320,957</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 - Future Capital Projects as Restricted by Debt Covenants	4,979,685
Capital Project Fund - Restricted by Commonwealth Legislation	<u>3,532,623</u>
	<b>8,512,308</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, 2021, the School District has included the following as committed fund balances:

General Fund - Committed to Safety and Security Infrastructure	400,000
--	---------

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 Future Facility Improvements	3,000,000
General Fund - Assigned for Increased Cyber School Costs	<u>700,000</u>
	<b>3,700,000</b>

### 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)**

#### **COVID-19**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The School District has continued operations within rigid guidelines aimed at halting the spread of the virus. At this point, the continued future impact of COVID-19 on the School District's operations and financial condition cannot be estimated. The School District's management is monitoring the evolving situation and adapting operations and decision making as necessary.

#### **Construction Commitments**

The School District has entered into contracts for various capital projects, including the middle school project. The amount remaining on the outstanding contracts is approximately \$288,000 at June 30, 2021.

#### **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 \$1,889,000 in related expenditures for the year ended June 30, 2020.

#### **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, 2021, the School District abated approximately \$687,000 of property taxes under these agreements.

# Elizabethtown Area School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **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.

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

For the year ended June 30, 2021, the School District adopted GASB 84. As a result, the private purpose trust fund which accounted for scholarship activity and the agency fund which accounted for student activities are now classified as a custodial fund within the fiduciary fund financial statements. A prior period adjustment of \$108,471 was required to the beginning net position to adjust for the change in presentation of the agency fund in the current year.

# Elizabethtown Area School District

## SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - BUDGET and ACTUAL - GENERAL FUND Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary Basis	Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 39,025,950	\$ 39,025,950	\$ 39,161,389	\$ 135,439
Other Taxes	4,274,237	4,274,237	5,700,103	1,425,866
Investment Earnings	100,000	100,000	118,040	18,040
Other Revenue	1,621,000	1,621,000	2,005,597	384,597
Total Local Sources	45,021,187	45,021,187	46,985,129	1,963,942
State Sources	19,998,131	19,998,131	20,380,782	382,651
Federal Sources	1,223,022	1,223,022	1,866,173	643,151
<b>Total Revenues</b>	<b>66,242,340</b>	<b>66,242,340</b>	<b>69,232,084</b>	<b>2,989,744</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	30,280,070	30,249,289	30,499,740	(250,451)
Special Programs	9,299,201	9,299,201	9,477,164	(177,963)
Vocational Programs	1,513,975	1,524,992	1,952,322	(427,330)
Other Instructional Programs	483,304	522,914	366,384	156,530
Nonpublic School Programs	20,000	20,000	32,694	(12,694)
<b>Total Instructional Services</b>	<b>41,596,550</b>	<b>41,616,396</b>	<b>42,328,304</b>	<b>(711,908)</b>
Support Services:				
Pupil Personnel Services	2,685,424	2,687,724	2,562,752	124,972
Instructional Staff Services	1,039,959	994,576	977,707	16,869
Administrative Services	3,793,289	3,793,819	3,909,582	(115,763)
Pupil Health	838,118	848,468	812,177	36,291
Business Services	898,938	905,121	1,756,759	(851,638)
Operation of Plant and Maintenance Services	4,998,206	4,961,206	4,717,116	244,090
Student Transportation Services	2,861,279	2,861,279	2,331,952	529,327
Central and Other Business Services	1,654,192	1,657,367	1,662,796	(5,429)
<b>Total Support Services</b>	<b>18,769,405</b>	<b>18,709,560</b>	<b>18,730,841</b>	<b>(21,281)</b>
Noninstructional Services:				
Student Activities	1,145,279	1,145,278	1,002,358	142,920
Community Services	89,179	129,179	64,697	64,482
<b>Total Noninstructional Services</b>	<b>1,234,458</b>	<b>1,274,457</b>	<b>1,067,055</b>	<b>207,402</b>
<b>Total Expenditures</b>	<b>61,600,413</b>	<b>61,600,413</b>	<b>62,126,200</b>	<b>(525,787)</b>
<b>EXCESS of REVENUES OVER EXPENDITURES</b>	<b>4,641,927</b>	<b>4,641,927</b>	<b>7,105,884</b>	<b>2,463,957</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer Out	(4,524,959)	(4,524,959)	(5,159,377)	(634,418)
Refund of Prior Year's Expenditures	15,000	15,000	42,948	27,948
Refund of Prior Year's Receipts	-0-	-0-	(5,651)	(5,651)
Budgetary Reserve	(200,000)	(200,000)	-0-	200,000
<b>Net Other Financing Uses</b>	<b>(4,709,959)</b>	<b>(4,709,959)</b>	<b>(5,122,080)</b>	<b>(412,121)</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ (68,032)</b>	<b>\$ (68,032)</b>	<b>1,983,804</b>	<b>\$ 2,051,836</b>
<b>FUND BALANCES</b>				
Beginning			<b>7,614,926</b>	
Ending			<b>\$ 9,598,730</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. 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, 2021.
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

	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service Cost	\$ 161,000	\$ 152,000	\$ 153,000	\$ 158,000	\$ 165,000
Interest	168,000	126,000	126,000	123,000	130,000
Change of Benefit Terms	-0-	-0-	-0-	-0-	-0-
Differences Between Expected and Actual Experience	-0-	(1,012,000)	-0-	-0-	(205,000)
Change of Assumptions	-0-	1,417,000	-0-	-0-	1,051,000
Benefit Payments	<u>(219,000)</u>	<u>(176,000)</u>	<u>(176,000)</u>	<u>(198,000)</u>	<u>(175,000)</u>
<b>Net Change in Total OPEB Liability</b>	<b>110,000</b>	<b>507,000</b>	<b>103,000</b>	<b>83,000</b>	<b>966,000</b>
Total OPEB Liability - Beginning	<u>4,826,000</u>	<u>4,319,000</u>	<u>4,216,000</u>	<u>4,133,000</u>	<u>3,167,000</u>
<b>Total OPEB Liability - Ending</b>	<b><u>\$ 4,936,000</u></b>	<b><u>\$ 4,826,000</u></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>	24,773,177	24,168,953	24,168,953	24,341,850	23,748,146
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	19.9%	20.0%	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, 2018:

Discount rate was increased from 3.00% to 3.50%.

General inflation rate was changed from 0.00% to 3.00% less than the ultimate healthcare trend rate.

Pre-retirement mortality changed from RP-2014 Employee (Male and Female) to Pub T.H. 2000 Employee (Male and Female).

Post-retirement mortality changed from RP-2014 Health Annuitant (Male and Female) to Pub T.H. 2000 Healthy Annuitant (Male and Female).

Spouse coverage changed from 10% to 15% of spouses of retirees assumed to be covered.

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	.90%
2016	213,000	213,000	-0-	25,106,006	.84%
2017	209,000	209,000	-0-	25,123,007	.83%
2018	217,000	217,000	-0-	26,207,769	.83%
2019	225,000	225,000	-0-	27,120,360	.83%
2020	234,000	234,000	-0-	27,891,412	.84%
2021	232,000	232,000	-0-	28,147,925	.82%

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

Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered-Employee Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2016	.1939%	4,177,000	25,106,006	16.64%	5.47%
2017	.1887%	3,845,000	25,123,007	15.30%	5.73%
2018	.1946%	4,057,000	26,207,769	15.48%	5.56%
2019	.1966%	4,181,000	27,120,360	15.42%	5.56%
2020	.1922%	4,304,000	27,891,412	15.43%	5.69%

Note: Information is not available prior to 2016.

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, 2020:

Discount rate was decreased from 2.79% to 2.66%.

Measurement period ending June 30, 2019:

Discount rate was decreased from 2.98% to 2.79%.

Measurement period ending June 30, 2018:

Discount rate was decreased from 3.13% to 2.98%.

Measurement period ending June 30, 2017:

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.

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

Defined Benefit Pension Plan	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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-	27,120,360	32.60%
2020	9,304,575	9,304,575	-0-	27,891,412	33.36%
2021	9,526,765	9,526,765	-0-	28,147,925	33.51%

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 Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	.1833%	72,551,711	23,392,576	310.15%	57.24%
2015	.1849%	80,090,261	23,830,686	336.08%	54.36%
2016	.1939%	96,091,000	25,106,006	382.74%	50.14%
2017	.1887%	93,181,000	25,123,007	370.90%	51.84%
2018	.1946%	93,418,000	26,207,769	356.45%	54.00%
2019	.1966%	91,975,000	27,120,360	339.14%	55.66%
2020	.1992%	98,059,000	27,891,412	351.57%	54.32%

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.

# Elizabethtown Area School District

## COMBINING BALANCE SHEET -

### CAPITAL PROJECTS FUND

June 30, 2021

	Capital Reserve Fund	2017 Bond Construction Fund	2019 Bond Construction Fund	Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,574,875	\$ -0-	\$ 5,097,152	\$ 8,672,027
Investments	<u>5</u>	<u>-0-</u>	<u>-0-</u>	<u>5</u>
<b>TOTAL ASSETS</b>	<b><u>3,574,880</u></b>	<b><u>-0-</u></b>	<b><u>5,097,152</u></b>	<b><u>8,672,032</u></b>
<b>LIABILITIES and FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	36,104	-0-	9,590	45,694
Retainage Payable	-0-	-0-	106,364	106,364
Due to Other Funds	<u>6,153</u>	<u>-0-</u>	<u>1,513</u>	<u>7,666</u>
<b>TOTAL LIABILITIES</b>	<b>42,257</b>	<b>-0-</b>	<b>117,467</b>	<b>159,724</b>
<b>FUND BALANCES</b>				
Restricted	<u>3,532,623</u>	<u>-0-</u>	<u>4,979,685</u>	<u>8,512,308</u>
<b>TOTAL FUND BALANCES</b>	<b><u>3,532,623</u></b>	<b><u>-0-</u></b>	<b><u>4,979,685</u></b>	<b><u>8,512,308</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 3,574,880</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 5,097,152</u></b>	<b><u>\$ 8,672,032</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, 2021

	Capital Reserve Fund	2017 Bond Construction Fund	2019 Bond Construction Fund	Totals
<b>REVENUES</b>				
Local Sources:				
Investment Earnings	\$ 5,842	\$ 125	\$ 39,405	\$ 45,372
<b>EXPENDITURES</b>				
Current:				
Support Services	649,980	2,675	1,397	654,052
Capital Outlay:				
Facilities Acquisition, Construction, and Improvement Services	<u>298,979</u>	<u>2,080</u>	<u>4,490,760</u>	<u>4,791,819</u>
<b>Total Expenditures</b>	<u>948,959</u>	<u>4,755</u>	<u>4,492,157</u>	<u>5,445,871</u>
<b>DEFICIENCY of REVENUES OVER EXPENDITURES</b>	<b>(943,117)</b>	<b>(4,630)</b>	<b>(4,452,752)</b>	<b>(5,400,499)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>1,100,000</u>	<u>(48,412)</u>	<u>48,412</u>	<u>1,100,000</u>
<b>Total Other Financing Sources</b>	<u>1,100,000</u>	<u>(48,412)</u>	<u>48,412</u>	<u>1,100,000</u>
<b>NET CHANGES in FUND BALANCES</b>	<b>156,883</b>	<b>(53,042)</b>	<b>(4,404,340)</b>	<b>(4,300,499)</b>
<b>FUND BALANCES</b>				
Beginning	<u>3,375,740</u>	<u>53,042</u>	<u>9,384,025</u>	<u>12,812,807</u>
Ending	<u>\$ 3,532,623</u>	<u>\$ -0-</u>	<u>\$ 4,979,685</u>	<u>\$ 8,512,308</u>

See independent auditors' report.

**Elizabethtown Area School District**  
 COMBINING STATEMENT of FIDUCIARY NET POSITION -  
 CUSTODIAL FUND  
 June 30, 2021

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Student Activity Fund	Total Custodial Fund
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 340,754	\$ 397	\$ 19,575	\$ 82,294	\$ 109,135	\$ 552,155
Other Receivables	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	904	<u>904</u>
<b>TOTAL ASSETS</b>	<b><u>340,754</u></b>	<b><u>397</u></b>	<b><u>19,575</u></b>	<b><u>82,294</u></b>	<b><u>110,039</u></b>	<b><u>553,059</u></b>
<b>LIABILITIES</b>						
Accounts Payable	9,000	-0-	-0-	-0-	836	9,836
Due to Other Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	416	<u>416</u>
	9,000	-0-	-0-	-0-	1,252	10,252
<b>NET POSITION</b>						
Held in Trust for Scholarships	108,754	-0-	-0-	-0-	-0-	108,754
Held in Trust for Health Programs	-0-	397	-0-	-0-	-0-	397
Endowments	225,000	-0-	19,575	80,294	-0-	324,869
Student Activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	108,787	<u>108,787</u>
<b>TOTAL NET POSITION</b>	<b><u>333,754</u></b>	<b><u>397</u></b>	<b><u>19,575</u></b>	<b><u>80,294</u></b>	<b><u>108,787</u></b>	<b><u>542,807</u></b>
<b>TOTAL LIABILITIES and NET POSITION</b>	<b><u>\$ 342,754</u></b>	<b><u>\$ 397</u></b>	<b><u>\$ 19,575</u></b>	<b><u>\$ 80,294</u></b>	<b><u>\$ 110,039</u></b>	<b><u>\$ 553,059</u></b>

See independent auditors' report.

**Elizabethtown Area School District**  
 COMBINING STATEMENT of CHANGES in FIDUCIARY NET POSITION -  
 CUSTODIAL FUND  
 Year Ended June 30, 2021

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Student Activity Fund	Total Custodial Fund
<b>ADDITIONS</b>						
Gifts and Contributions	\$ 8,200	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,200
Fees and Collections	-0-	-0-	-0-	-0-	46,152	\$ 46,152
Investment Earnings	908	-0-	108	207	-0-	1,223
	<u>9,108</u>	<u>-0-</u>	<u>108</u>	<u>207</u>	<u>46,152</u>	<u>55,575</u>
<b>Total Additions</b>	<b>9,108</b>	<b>-0-</b>	<b>108</b>	<b>207</b>	<b>46,152</b>	<b>55,575</b>
<b>DEDUCTIONS</b>						
Student Activity Expenses	-0-	-0-	-0-	-0-	45,836	45,836
Scholarships Awarded	13,127	-0-	-0-	2,000	-0-	15,127
	<u>13,127</u>	<u>-0-</u>	<u>-0-</u>	<u>2,000</u>	<u>-0-</u>	<u>15,127</u>
<b>Total Deductions</b>	<b>13,127</b>	<b>-0-</b>	<b>-0-</b>	<b>2,000</b>	<b>45,836</b>	<b>60,963</b>
<b>CHANGES in NET POSITION</b>	<b>(4,019)</b>	<b>-0-</b>	<b>108</b>	<b>(1,793)</b>	<b>316</b>	<b>(5,388)</b>
<b>NET POSITION</b>						
Beginning	337,773	397	19,467	82,087	-0-	439,724
Prior Period Adjustment	-0-	-0-	-0-	-0-	108,471	108,471
Beginning, Restated	<u>337,773</u>	<u>397</u>	<u>19,467</u>	<u>82,087</u>	<u>108,471</u>	<u>548,195</u>
<b>Ending</b>	<b><u>\$ 333,754</u></b>	<b><u>\$ 397</u></b>	<b><u>\$ 19,575</u></b>	<b><u>\$ 80,294</u></b>	<b><u>\$ 108,787</u></b>	<b><u>\$ 542,807</u></b>

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
Year Ended June 30, 2021

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2020	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
<b>Child Nutrition Cluster</b>												
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19-School Breakfast Program (Note 3)	I	10.553	N/A	07/01/20 - 06/30/21	N/A	\$ -0-	\$ 139,292	\$ 145,791	\$ 6,499	\$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	-0-	1,471	1,471	-0-	-0-
<b>Total</b>				<b>10.553</b>				<b>-0-</b>	<b>140,763</b>	<b>147,262</b>	<b>6,499</b>	<b>-0-</b>
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19-National School Lunch Program (Note 3)	I	10.555	N/A	07/01/20 - 06/30/21	N/A	-0-	600,669	632,141	31,472	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	-0-	14,299	14,299	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program (Note 2)	I	10.555	N/A	07/01/20 - 06/30/21	N/A	(39,558) A)	112,162 B)	104,130 C)	(47,590) D)	-0-
<b>Total</b>				<b>10.555</b>				<b>(39,558)</b>	<b>727,130</b>	<b>750,570</b>	<b>(16,118)</b>	<b>-0-</b>
<b>Total Child Nutrition Cluster</b>								<b>(39,558)</b>	<b>867,893</b>	<b>897,832</b>	<b>(9,619)</b>	<b>-0-</b>
U.S. Department of Treasury	Pennsylvania Commission on Crime and Delinquency	COVID-19 - Coronavirus Relief Fund	I	21.019	2020-CS-01-33910	03/01/20 - 10/30/20	266,438	92,682	266,438	173,756	-0-	-0-
U.S. Department of Treasury	County of Lancaster	COVID-19 - Coronavirus Relief Fund	I	21.019	N/A	03/01/20 - 12/30/20	375,859	-0-	375,859	375,859	-0-	-0-
<b>Total</b>				<b>21.019</b>				<b>92,682</b>	<b>642,297</b>	<b>549,615</b>	<b>-0-</b>	<b>-0-</b>
<b>Special Education Cluster (IDEA)</b>												
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Grants to States	I	84.027	062-180013	07/01/20 - 09/30/21	729,544	-0-	729,544	729,544	-0-	-0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education - Preschool Grants	I	84.173	131-180013	07/01/20 - 09/30/21	2,730	-0-	2,730	2,730	-0-	-0-
<b>Total Special Education Cluster (IDEA)</b>								<b>\$ -0-</b>	<b>\$ 732,274</b>	<b>\$ 732,274</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2021

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal	Pass-Through	Grant Period	Grant Amount	Accrued	Total Received for the Year	Expenditures	Accrued	Passed Through to Subrecipients
				AL Number	Grantor's Number	Beginning/Ending Date		(Deferred) Revenue at July 1, 2020			(Deferred) Revenue at June 30, 2021	
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-210135	07/01/20 - 09/30/21	403,306	\$ -0-	\$ 376,419	\$ 379,417	\$ 2,998	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-200135	07/01/19 - 09/30/20	467,271	42,894	94,406	51,512	-0-	-0-
		<b>Total</b>		<b>84.010</b>				<b>42,894</b>	<b>470,825</b>	<b>430,929</b>	<b>2,998</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-210135	07/01/20 - 09/30/21	83,527	-0-	83,527	80,053	(3,474)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-200135	07/01/19 - 09/30/20	98,161	6,745	6,745	-0-	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	220-200135	11/19/19 - 09/30/21	25,000	(4,545)	4,545	11,449	2,359	-0-
		<b>Total</b>		<b>84.367</b>				<b>2,200</b>	<b>94,817</b>	<b>91,502</b>	<b>(1,115)</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-210135	07/01/20 - 09/30/21	35,366	-0-	28,293	26,984	(1,309)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-200135	07/01/19 - 09/30/20	35,832	2,389	2,389	-0-	-0-	-0-
		<b>Total</b>		<b>84.424</b>				<b>2,389</b>	<b>30,682</b>	<b>26,984</b>	<b>(1,309)</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 Education Stabilization Fund	I	84.425C	252-200135	03/13/20 - 09/30/21	37,134	\$ -0-	\$ 9,772	\$ 6,667	\$ (3,105)	\$ -0-

See independent auditors' report.

**Elizabethtown Area School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2021

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2020	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 Education Stabilization Fund	I	84.425D	200-200135	03/13/20 - 09/30/21	383,022	\$ -0-	\$ 383,022	\$ 383,022	\$ -0-	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 Education Stabilization Fund	I	84.425D	200-210135	03/13/20 - 09/30/23	1,483,755	-0-	448,577	925,099	476,522	-0-
U.S. Department of Treasury	Pennsylvania Commission on Crime and Delinquency	COVID-19 Education Stabilization Fund	I	84.425D	2020-ES-01-35327	03/01/20 - 09/30/22	115,978	-0-	-0-	2,283	2,283	-0-
<b>Total</b>				<b>84.425D</b>				<b>-0-</b>	<b>831,599</b>	<b>1,310,404</b>	<b>478,805</b>	<b>-0-</b>
<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	07/01/20 - 09/30/21	N/A	-0-	3,185	17,479	14,294	-0-
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>								<b>\$ 100,607</b>	<b>\$ 3,683,344</b>	<b>\$ 4,063,686</b>	<b>\$ 480,949</b>	<b>\$ -0-</b>

Legend  
I = Indirect funding  
AL = Assistance Listing

See independent auditors' report.



**Elizabethtown Area School District**  
SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
(Continued)  
Year Ended June 30, 2021

**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 - SEAMLESS SUMMER PROGRAM**

This portion represents the Seamless Summer portion of the National School Lunch Program.

**NOTE 4 - DE MINIMIS INDIRECT COST RATE**

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

**NOTE 5 - COVID-19**

Federal funding provided by Congress to address the COVID-19 pandemic is identified by "COVID-19" in the federal program column of the schedule of expenditures of federal awards. This includes new grants created by pandemic-related legislation, as well as incremental funding for existing federal programs.

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, 2021, 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 3, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **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 certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2021-001 to be a material weakness.

*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 deficiencies described in the accompanying schedule of findings and questioned costs as items #2021-002 and #2021-003 to be significant deficiencies.

### **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 3, 2021  
Lancaster, Pennsylvania



**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 each of **Elizabethtown Area School District's** major federal programs for the year ended June 30, 2021. **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 its major federal programs for the year ended June 30, 2021.

## 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



November 3, 2021  
Lancaster, Pennsylvania

**Elizabethtown Area School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
Year Ended June 30, 2021

**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 two significant deficiencies 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. No material weakness or 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: School Breakfast Program - AL #10.553, National School Lunch Program - AL #10.555 and Education Stabilization Fund - AL #84.425C and 84.425D.
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, 2021

**B. Findings - Financial Statements Audit**

**Material Weakness**

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

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

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

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

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

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

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

**Significant Deficiencies**

**#2021-002 - Internal Control Over Financial Reporting**

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

**Elizabethtown Area School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2021

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

**Significant Deficiencies (Continued)**

**#2021-002 - Internal Control Over Financial Reporting (Continued)**

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

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

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

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

**#2021-003 Year-End Close Process**

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

Statement of Condition: During our audit, we identified significant adjusting journal entries that were needed in order for the financial statements to be prepared in conformity with generally accepted accounting principles. The 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 the accounts payable within the general fund to reverse a tuition payable amount pertain to fiscal year 2022.
2. Adjusting the accounts payable within the general fund to increase accounts payable for Chromebooks ordered and received prior to year-end.
3. Adjusting deferred revenue and delinquent taxes for amounts still outstanding with the County and to adjust deferred revenue for social security subsidy received during the year.



**Elizabethtown Area School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2021

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

**Significant Deficiencies (Continued)**

**#2021-003 - Year-End Close Process (Continued)**

4. Adjusting the debt service fund to record additional interest expense not initially recorded at time of debt refunding.
5. Adjusting the accrued interest and bond premium amounts within the government-wide financial statements.
6. Adjustment to accounts receivable within the general fund to reverse the Basic Education subsidy revenue recorded at year-end.

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

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

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

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

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

None



**Elizabethtown Area School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
Year Ended June 30, 2021

**Material Weaknesses**

**#2020-001 Internal Control Over Financial Reporting**

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

Recommendation: The School District needs to annually perform a cost benefit analysis of having an individual in the Business Office with the expertise to draft the financial statements of the School District. School District leadership has informed us that they plan to pursue steps to increase internal controls in this area.

Current Status: Refer to current year finding #2021-002. The School District did have a current year significant deficiency for internal control over financial reporting.

**#2020-002 Retirement Subsidy Reimbursement**

Statement of Condition: During our audit, management informed us that they had identified a retirement subsidy reimbursement shortfall for the last two quarters of the fiscal year and was resolving related employee data reporting issues with PSERS. During our audit, we identified additional data reporting issues which resulted in an additional accrual of PSERS subsidies.

Recommendation: The School District should involve another individual to oversee the data transmission to PSERS so that inaccuracies or lack of timeliness are detected immediately. The School District should review reimbursements received from the State and compare to the PSERS expense for reasonableness.

Current Status: The School District correctly recorded the retirement subsidy for June 30, 2021.

**Significant Deficiencies**

**#2020-003 Year-End Close Process**

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:

*Every Student Graduates Ready to Live, Learn, and Thrive in a Global Community*



**Elizabethtown Area School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
(Continued)  
Year Ended June 30, 2021

**Significant Deficiencies (Continued)**

**#2020-003 Year-End Close Process (Continued)**

1. Adjusting the IBNR for the healthcare fund to the IBNR report received by Capital Blue Cross.
2. Adjusting the healthcare fund for a RX Rebate related to the 1<sup>st</sup> quarter of 2020.
3. Adjusting deferred revenue and delinquent taxes for amounts still outstanding with the County.
4. Adjusting the debt service fund to record the refinancing of debt.

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 ensure either the IBNR is recorded or a claim run-out is recorded for the healthcare fund. If the IBNR is used, the School District should ensure a total of estimated claims still outstanding for all months prior to year end is included in the IBNR amount.
2. The School District should review cash receipts received within 60 days of year end to appropriate receivables at year end.
3. The School District should reconcile delinquent real estate taxes receivable to the amounts reported by the Tax Claim Bureau.
4. The School District should review the debt documents in-depth to ensure the appropriate recording of debt refinancing and not just the cash basis aspect.

Current Status: Items #1 and #2 above were corrected during the year ended June 30, 2021. However, as noted in current year finding #2021-003, 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.

**#2020-004 Construction in Progress**

Statement of Condition: We identified unrecorded construction in progress items totaling \$518,000 primarily related to costs with architects and engineers.

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

Current Status: The School District correctly included costs related to architects and engineers in the construction in progress schedules for June 30, 2021.



**Elizabethtown Area School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
(Continued)  
Year Ended June 30, 2021

**Significant Deficiency**

**DEPARTMENT OF EDUCATION**

**#2020-005 - Title I Grants to Local Educational Agencies - CFDA #84.010, Year Ended June 30, 2020**

Statement of Condition: The School District did not monitor the proper rank order related to expenses for the 2018-2019 Title I grant.

Recommendation: We recommend that the School District periodically monitor the distribution of federal funds to ensure the LEA is serving its eligible schools in proper rank order.

Current Status: The School District properly monitored the distribution of federal funds to ensure the LEA is serving its eligible schools in proper rank order.

**Significant Deficiency and Compliance Finding**

**#2020-006 - Title I Grants to Local Educational Agencies - CFDA #84.010, Year Ended June 30, 2020**

Statement of Condition: The School District served ineligible private school students who did not reside in the participating public school attendance areas.

Recommendation: Before providing services to any private school students, an appropriate School District official should review the correlation of the data from private school officials to participating public school attendance areas.

Current Status: The School District reviewed the correlation of the data from private school officials to participating public school attendance areas before providing services to any private school students.



**ELIZABETHTOWN AREA SCHOOL DISTRICT**  
DISTRICT OFFICE

**Corrective Action Plan**

Elizabethtown Area School District respectfully submits the following corrective action plan for the year ending June 30, 2021.

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

Name and address of independent public accounting firm: Trout CPA, 1705 Oregon Pike, Lancaster, Pennsylvania 17601-4200

Audit Period: July 1, 2020 through June 30, 2021.

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2021 is discussed below. The findings are numbered consistently with the number assigned in the schedule:

**Findings - Financial Statements Audit**

**Material Weakness**

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

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

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

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

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



**ELIZABETHTOWN AREA SCHOOL DISTRICT**  
DISTRICT OFFICE

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

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

**Significant Deficiencies**

**#2021-002 - Internal Control Over Financial Reporting**

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

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

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

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

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



**ELIZABETHTOWN AREA SCHOOL DISTRICT**  
DISTRICT OFFICE

**#2021-003 Year-End Close Process**

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

Statement of Condition: During our audit, we identified significant adjusting journal entries that were needed in order for the financial statements to be prepared in conformity with generally accepted accounting principles. The 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 the accounts payable within the general fund to reverse a tuition payable amount pertain to fiscal year 2022.
2. Adjusting the accounts payable within the general fund to increase accounts payable for Chromebooks ordered and received prior to year-end.
3. Adjusting deferred revenue and delinquent taxes for amounts still outstanding with the County and to adjust deferred revenue for social security subsidy received during the year.
4. Adjusting the debt service fund to record additional interest expense not initially recorded at time of debt refunding.
5. Adjusting the accrued interest and bond premium amounts within the government-wide financial statements.
6. Adjustment to accounts receivable within the general fund to reverse the Basic Education subsidy revenue recorded at year-end.

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

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

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



**ELIZABETHTOWN AREA SCHOOL DISTRICT**  
DISTRICT OFFICE

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

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

Sincerely,

Daniel L. Forry  
Director of Finance and Operations  
Elizabethtown Area School District