



Eastern Lancaster County
School District
New Holland, Pennsylvania
Lancaster County

Financial Statements
Year Ended June 30, 2022



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EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Eastern Lancaster County School District
New Holland, Pennsylvania**

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eastern Lancaster County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Eastern Lancaster County School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Report on Summarized Comparative Information

We have previously audited Eastern Lancaster County School District's 2021 financial statements, and our report dated December 23, 2021, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability – PSERS and pension plan contributions – PSERS, schedule of changes in OPEB liability single employer plan and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions – PSERS on pages 4 through 14 and 50 through 55 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 Eastern Lancaster County School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023, on our consideration of Eastern Lancaster County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Lancaster County School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
March 17, 2023**

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Management's discussion and analysis ("**MD&A**") of the financial performance of the Eastern Lancaster County School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of three elementary schools, a middle school, a senior high school and an online virtual academy consisting of approximately 2,803 students. The District covers 95 square miles 12 miles east of the City of Lancaster and is comprised of the Townships of Brecknock, Caernarvon, Earl and East Earl and the Boroughs of New Holland and Terre Hill. During 2021-2022, there were 343 employees in the District, consisting of 257 teachers, 21 administrators, including general administration, principals and supervisors, and 65 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff, food service staff, technology staff, school monitors and staff nurses.

The vision of the District is "Empowering Learners as Global Thinkers and Producers."

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the District resulting in total net position at the close of the 2021-2022 fiscal year of \$20,678,108. During the 2021-2022 fiscal year, the District had an increase in total net position of 5,760,924. The net position of governmental activities increased by \$5,287,826 and the net position of the business-type activities increased by \$473,098.
- The General Fund reported an increase in its fund balance of \$9,009 bringing the cumulative balance to \$10,708,280 at the conclusion of the 2021-2022 fiscal year.
- At June 30, 2022, the General Fund fund balance includes \$3,420,310 committed to retirement rate stabilization, \$1,720,344 committed to technology initiatives, \$1,977,899 committed to balance future budgets, and unassigned amounts of \$3,589,727 or 5.53% of the \$64,961,493 2022-2023 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a school district to maintain an unassigned maximum General Fund fund balance of 8.00% of the following year's expenditure budget.
- Actual revenues and other financing sources were \$1,511,359 more than budgeted amounts and actual expenditures and other financing uses were \$1,087,237 less than budgeted amounts resulting in a net overall positive variance of \$2,598,596.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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

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

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

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

Governmental Activities

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

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 15 and 16 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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

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

The governmental fund financial statements can be found on Pages 17 through 20 of this report.

Proprietary Funds

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

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 21 through 23 of this report.

Fiduciary Funds

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

The fiduciary fund financial statements can be found on Pages 24 and 25 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 26 through 49 of this report.

Other Information

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

The required supplementary information can be found on Pages 50 through 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2021-2022 fiscal year the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,678,108. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2022 and 2021.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$ 35,425,489	\$ 35,323,674	\$1,642,294	\$1,174,060	\$ 37,067,783	\$ 36,497,734
Noncurrent assets	62,007,215	62,221,472	151,900	149,230	62,159,115	62,370,702
Total assets	<u>97,432,704</u>	<u>97,545,146</u>	<u>1,794,194</u>	<u>1,323,290</u>	<u>99,226,898</u>	<u>98,868,436</u>
DEFERRED OUTFLOWS						
Deferred charges – pensions	14,012,356	12,759,441	111,162	99,644	14,123,518	12,859,085
Deferred charges – OPEB	2,658,936	1,851,864	6,472	3,704	2,665,408	1,855,568
Total deferred outflows	<u>16,671,292</u>	<u>14,611,305</u>	<u>117,634</u>	<u>103,348</u>	<u>16,788,926</u>	<u>14,714,653</u>
LIABILITIES						
Current liabilities	6,856,068	8,399,474	51,885	44,829	6,907,953	8,444,303
Noncurrent liabilities	75,326,992	87,478,892	558,731	630,096	75,885,723	88,108,988
Total liabilities	<u>82,183,060</u>	<u>95,878,366</u>	<u>610,616</u>	<u>674,925</u>	<u>82,793,676</u>	<u>96,553,291</u>
DEFERRED INFLOWS						
Deferred credits – pensions	11,476,952	1,852,533	91,048	14,467	11,568,000	1,867,000
Deferred credits – OPEB	975,639	245,033	401	581	976,040	245,614
Total deferred inflows	<u>12,452,591</u>	<u>2,097,566</u>	<u>91,449</u>	<u>15,048</u>	<u>12,544,040</u>	<u>2,112,614</u>
NET POSITION						
Net investment in capital assets	62,007,215	60,200,544	151,900	149,230	62,159,115	60,349,774
Restricted	7,794,361	7,075,068	-	-	7,794,361	7,075,068
Unrestricted (deficit)	(50,333,231)	(53,095,093)	1,057,863	587,435	(49,275,368)	(52,507,658)
Total net position	<u>\$ 19,468,345</u>	<u>\$ 14,180,519</u>	<u>\$ 1,209,763</u>	<u>\$ 736,665</u>	<u>\$ 20,678,108</u>	<u>\$ 14,917,184</u>

The District's total assets as of June 30, 2022 were \$99,226,898 of which \$29,284,998 or 29.51% consisted of cash and investments and \$62,159,115 or 62.64% consisted of the District's investment in capital assets net of depreciation. The District's total liabilities as of June 30, 2022 were \$82,793,676 of which \$67,127,753 or 81.08% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$49,275,368 at June 30, 2022. The District's unrestricted net position increased by \$3,232,290 during 2021-2022 primarily due to the current results of operations net of the change in the actuarially determined net pension liability and related deferred outflows and inflows or resources.

A portion of the District's net position reflects its restricted net position which totaled \$7,794,361 as of June 30, 2022. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2022, the District's net investment in capital assets, increased by \$1,809,341 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other long-term debt.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The following table presents condensed information for the *Statement of Activities* of the District for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues						
Charges for services	\$ 3,169,361	\$ 3,001,514	\$ 114,138	\$ 81,789	\$ 3,283,499	\$ 3,083,303
Operating grants and contributions	14,197,801	13,244,418	2,044,746	1,317,012	16,242,547	14,561,430
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	36,077,138	34,838,085	-	-	36,077,138	34,838,085
Earned income taxes levied for general purposes	4,906,596	4,312,936	-	-	4,906,596	4,312,936
Other taxes	1,083,807	1,197,834	-	-	1,083,807	1,197,834
Grants and entitlements not restricted to specific programs	5,442,963	5,185,077	-	-	5,442,963	5,185,077
Gain (loss) on sale of capital assets	208,433	(121,654)	-	(899)	208,433	(122,553)
Investment earnings	31,908	31,933	1,461	101	33,369	32,034
Total revenues	<u>65,118,007</u>	<u>61,690,143</u>	<u>2,160,345</u>	<u>1,398,003</u>	<u>67,278,352</u>	<u>63,088,146</u>
EXPENSES						
Instruction	35,700,455	35,432,382	-	-	35,700,455	35,432,382
Instructional student support services	7,045,349	7,380,238	-	-	7,045,349	7,380,238
Administrative and financial support services	7,200,977	7,213,794	-	-	7,200,977	7,213,794
Operation and maintenance of plant services	5,600,431	4,846,343	-	-	5,600,431	4,846,343
Pupil transportation	3,001,771	3,401,708	-	-	3,001,771	3,401,708
Student activities	1,254,267	1,174,505	-	-	1,254,267	1,174,505
Community services	15,001	12,351	-	-	15,001	12,351
Interest and amortization expense related to non-current liabilities	11,930	53,022	-	-	11,930	53,022
Food service	-	-	1,687,247	1,371,279	1,687,247	1,371,279
Total expenses	<u>59,830,181</u>	<u>59,514,343</u>	<u>1,687,247</u>	<u>1,371,279</u>	<u>61,517,428</u>	<u>60,885,622</u>
Change in net position before transfers	5,287,826	2,175,800	473,098	26,724	5,760,924	2,202,524
TRANSFERS	-	(126)	-	126	-	-
CHANGE IN NET POSITION	<u>\$ 5,287,826</u>	<u>\$ 2,175,674</u>	<u>\$ 473,098</u>	<u>\$ 26,850</u>	<u>\$ 5,760,924</u>	<u>\$ 2,202,524</u>

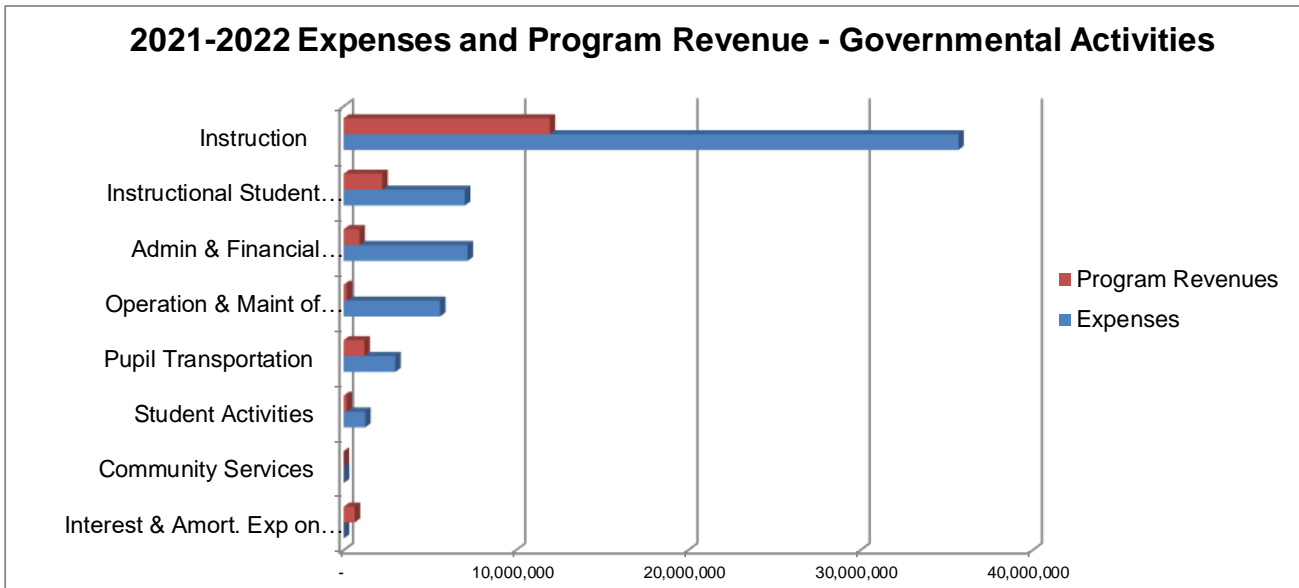
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing whose growth has slowed in recent years. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

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

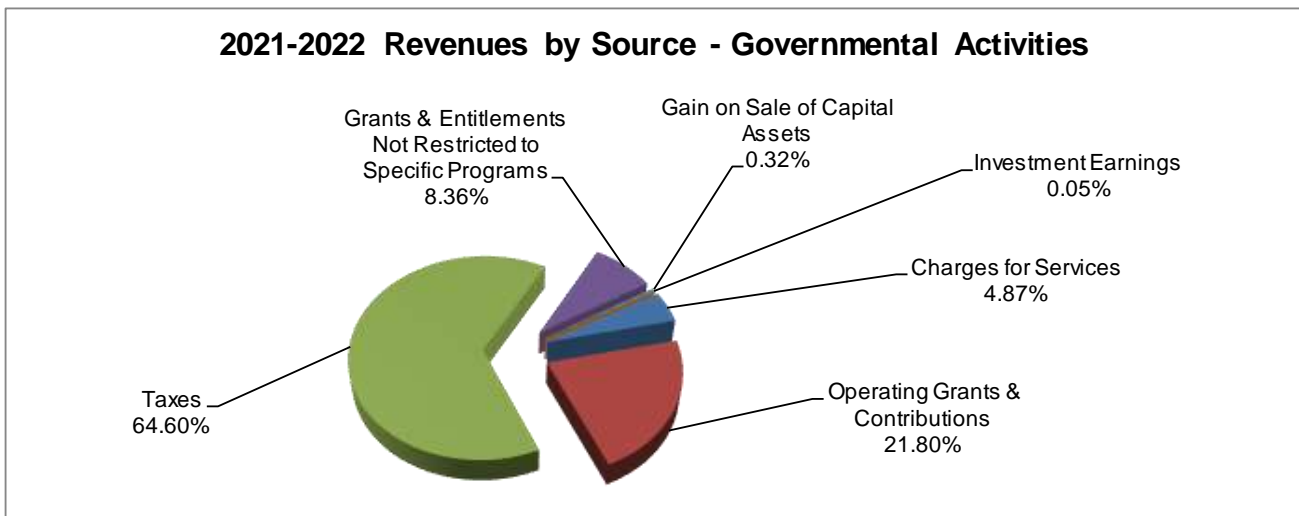
EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022



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



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$728,302 which is an increase of \$728,302 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2022 and 2021 and the total 2022 change in governmental fund balances.

	<u>2022</u>	<u>2021</u>	<u>Change</u>
General Fund	\$10,708,280	\$10,699,271	\$ 9,009
Capital Projects Fund	<u>7,794,361</u>	<u>7,075,068</u>	<u>719,293</u>
	<u>\$18,502,641</u>	<u>\$17,774,339</u>	<u>\$728,302</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

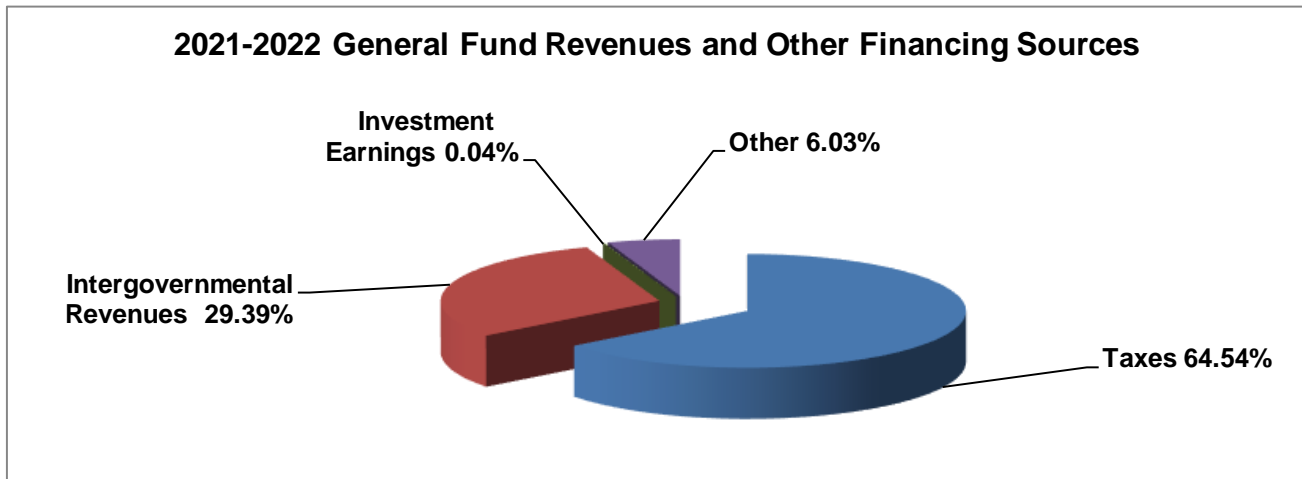
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2021-2022 fiscal year, the General Fund fund balance was \$10,708,280, which is an increase of \$9,009 from the prior year. The results of the District's General Fund is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2021-2022 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 64.54% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$42,128,216	\$40,378,810	\$1,749,406	4.33
Intergovernmental revenues	19,633,855	18,384,150	1,249,705	6.80
Investment earnings	24,854	25,333	(479)	(1.89)
Other	<u>3,503,605</u>	<u>3,771,017</u>	<u>(267,412)</u>	<u>(7.09)</u>
	<u>\$65,290,530</u>	<u>\$62,559,310</u>	<u>\$2,731,220</u>	<u>4.37</u>

Net tax revenues increased by \$1,749,406 or 4.33% due to several factors. A millage increase of 2.22% in 2021-2022, an increase in real estate assessed value and increases in collections for earned income taxes accounted for a majority of the current year increase in tax revenue, which indicates an improvement to the economy of our local community. The following table summarizes the changes in the District's tax revenues for 2022 compared to 2021:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$35,267,589	\$33,845,713	\$1,421,876	4.20
Interim real estate tax	330,408	394,946	(64,538)	(16.34)
PURTA tax	38,915	37,302	1,613	4.32
Local services tax	174,091	160,729	13,362	8.31
Earned income tax	4,906,596	4,312,936	593,660	13.76
Transfer tax	870,802	999,803	(129,001)	(12.90)
Delinquent tax	<u>539,815</u>	<u>627,381</u>	<u>(87,566)</u>	<u>(13.96)</u>
	<u>\$42,128,216</u>	<u>\$40,378,810</u>	<u>\$1,749,406</u>	<u>4.33</u>

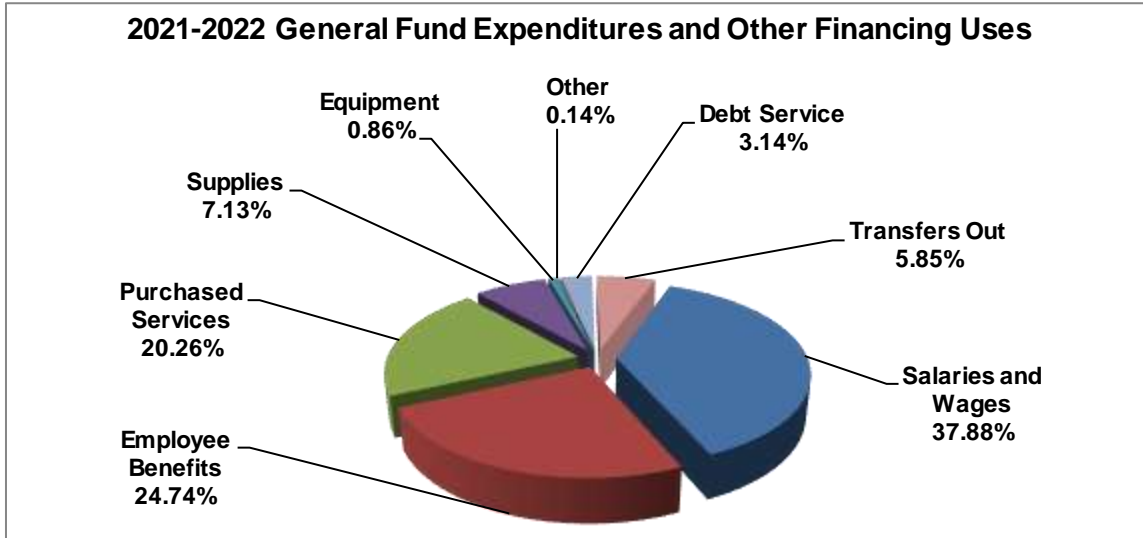
Intergovernmental revenues increased due to additional pass-through funding from the Pennsylvania Department of Education for the Elementary and Secondary School Emergency Relief ("**ESSER**") Funds. ESSER is one-time funds to help schools respond to the impact of COVID-19.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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



General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$24,728,950	\$23,370,399	\$ 1,358,551	5.81
Employee benefits	16,152,450	14,679,626	1,472,824	10.03
Purchased services	13,224,952	13,391,562	(166,610)	(1.24)
Supplies	4,654,109	4,230,552	423,557	10.01
Equipment	561,098	556,121	4,977	0.89
Other	88,313	97,546	(9,233)	(9.47)
Debt service	2,052,400	3,599,500	(1,547,100)	(42.98)
Transfers out	<u>3,819,249</u>	<u>2,631,735</u>	<u>1,187,514</u>	<u>45.12</u>
	<u>\$65,281,521</u>	<u>\$62,557,041</u>	<u>\$ 2,724,480</u>	<u>4.36</u>

Salaries and wages increased by \$1,358,551 or 5.81% in 2021-2022 compared to 2020-2021 as a result scheduled salary increases within the District's collective bargaining agreement negotiated with the professional employee group, salary increases for other employee groups, and additional positions in response to the impact of COVID-19.

Employee benefits increased by \$1,472,824 or 10.03% over the prior year primarily due to an increase in the required annual retirement contribution to 34.94% in 2021-2022 from 34.51% in 2020-2021 and an increase medical insurance funding to the Internal Service Fund.

Supplies increased by \$423,557 or 10.01% in 2021-2022 compared to 2020-2021 due to the purchase of technology related supplies and software to support the District's technology initiatives, which in part were funded with one-time ESSER funding to respond to the impact of COVID-19.

Debt service decreased by \$1,547,100 or 42.98% commensurate with debt service maturities on general obligation debt.

Transfers out increased commensurate with additional amounts appropriated by the School Board to the Capital Projects Fund for anticipated future capital needs.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2021-2022, the Capital Projects Fund reported an increase in fund balance of \$719,293 primarily due to transfers from the General Fund in excess of amounts expended for capital expenditures. The remaining fund balance of \$7,794,361 as of June 30, 2022 is restricted for future capital expenditures.

GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were \$1,511,359 more than budgeted amounts and actual expenditures and other financing uses were \$1,087,237 less than budgeted amounts resulting in a net overall positive variance of \$2,598,596. Major budgetary highlights for 2021-2022 were as follows:

- Actual local revenues received were \$2,980,611 more than budgeted amounts primarily due to more than anticipated real estate, earned income, delinquent and real estate transfer tax collections.
- Actual federal revenues were \$1,953,957 less than budgeted amounts primarily due to less than anticipated revenues related to ESSER funding which directly correlates to the unspent budgetary reserve for ESSER expenditures budgeted to respond to the impact of COVID-19.
- The final budget for transfers out increased by \$2,730,000 from the original budget due to better than anticipated revenues over expenditures which was transferred to the Capital Projects Fund for future capital expenditures.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2021-2022, the net position of the business-type activities and Food Service Fund increased by \$473,098. As of June 30, 2022, the business-type activities and Food Service Fund had net position of \$1,209,763.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounted to \$62,159,115 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$211,587 or 0.34%. The decrease was the result of current year depreciation expense and disposed of capital assets in excess of capital additions. The current year major capital additions were the completion of the stadium and synthetic turf project and construction and progress for the New Holland Elementary School retrofit project.

Current year capital expenditures were \$2,843,576 and depreciation expense and the net book value of disposed capital assets were \$3,055,163.

NONCURRENT LIABILITIES

During 2021-2022, the general obligation debt of the District outstanding was paid in full. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$2,000,000 during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District was \$137,488,278 as of June 30, 2022.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$67,127,753 as of June 30, 2022. The District's net pension liability decreased by \$10,768,370 or 13.82% during the fiscal year.

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

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$8,063,381 as of June 30, 2022. The District's OPEB liability increased by \$533,001 or 7.08% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for accrued retirement bonuses and compensated absences, which totaled \$694,589 as of June 30, 2022. These liabilities increased by \$33,032 or 4.99% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

While the District continues to be strong financially, there continues to be concerns regarding the economic and political outlook for the state and the local community. As the preceding information shows, the District maintains a healthy investment in capital assets to support and provide comprehensive educational services. The District also considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Strong academic performance is supported by reasonable and competitive per pupil spending. Balanced payment schedules on existing debt obligations should mean steady tax implications in the future.

The District adopted a balanced 2022-2023 budget totaling \$64,961,493, which includes a tax increase of 0.19 mills or 1.48%. The 2022-2023 budget utilizes \$1,283,810 of committed fund balance, helping to reduce the tax burden on District residents as well as offsetting projected increases in expenditures.

As we have seen throughout the nation, the economic situation is having an effect on the public sector. Challenges face many school districts in Pennsylvania on a number of issues. With the passage of Act 1 of 2006, our District is faced with a cap on the amount of money that can be funded from a property tax increase without voter referendums. This cap is based upon a percentage calculated and provided by the Pennsylvania Department of Education. While some exceptions may apply that would allow for a tax increase in excess of the index, the District will face pressure to keep tax increases at or below the allowable increase for the foreseeable future. In addition, recent legislation has severely hampered the potential benefits of using special exceptions in future years. Another implication of the new law includes earlier budgetary planning cycles.

In addition to meeting Pennsylvania Academic Standards for school districts, there is the additional challenge of the Every Student Succeeds Act ("**ESSA**") mandate imposed by the Federal government. This legislation replaced the No Child Left Behind ("**NCLB**") and has far-reaching requirements on academic performance, adequate yearly progress, teacher qualifications and training, disaggregation of student achievement data, and extensive reporting to the community. It will require a continued, and possibly greater, emphasis on investment in technology, staff development and communication to comply with the requirements of ESSA.

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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

The costs of medical benefits will continue to have an effect on the District budget, as the District continues to offer a competitive benefits package to employees through the District's self-insured plan. The District continues to implement various strategies to lower the pace of medical inflation. The current collective bargaining agreement, which expires June 30, 2027, will continue to provide some relief to these costs through a qualified high deductible health plan that is combined with a health savings account.

Maintaining an appropriate physical environment for learning requires investment in the construction, expansion, and renovation of school facilities. This is a well-planned and ongoing process in our District, accompanied by constant monitoring of enrollment trends and financial implications for the District. In fact, Crabtree, Rohrbaugh & Associates is performing a study of the demographics and community growth patterns in the District including aggregate projections of public school enrollments by grade. Crabtree, Rohrbaugh & Associates will then update their previous District-wide facility study, which assesses the current conditions of the buildings and to provide options for renovations and/or additions to the existing school facilities to accommodate future enrollment and/or program needs.

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

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief of Finance and Operations, Eastern Lancaster County School District, 669 E. Main Street, New Holland, PA 17557.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2022 with summarized comparative totals for 2021

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 23,533,709	\$ 1,508,631	\$ 25,042,340	\$ 25,822,232
Investments	4,242,658	-	4,242,658	3,943,286
Taxes receivable	1,410,509	-	1,410,509	1,636,286
Due from other governments	6,145,317	58,749	6,204,066	4,931,500
Internal balances	(9,854)	9,854	-	-
Other receivables	103,150	459	103,609	135,989
Inventories	-	64,601	64,601	28,441
Total current assets	35,425,489	1,642,294	37,067,783	36,497,734
NONCURRENT ASSETS				
Capital assets, net	62,007,215	151,900	62,159,115	62,370,702
Total assets	97,432,704	1,794,194	99,226,898	98,868,436
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pension	14,012,356	111,162	14,123,518	12,859,085
Deferred charges - OPEB	2,658,936	6,472	2,665,408	1,855,568
Total deferred outflows of resources	16,671,292	117,634	16,788,926	14,714,653
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	938,886	6,601	945,487	2,055,071
Accrued salaries, payroll withholdings and benefits	5,851,310	269	5,851,579	6,297,170
Accrued interest payable	-	-	-	19,542
Unearned revenues	58,833	45,015	103,848	63,241
Other liabilities	7,039	-	7,039	9,279
Total current liabilities	6,856,068	51,885	6,907,953	8,444,303
NONCURRENT LIABILITIES				
Due within one year	140	-	140	2,104,890
Due in more than one year	75,326,852	558,731	75,885,583	86,004,098
Total noncurrent liabilities	75,326,992	558,731	75,885,723	88,108,988
Total liabilities	82,183,060	610,616	82,793,676	96,553,291
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pension	11,476,952	91,048	11,568,000	1,867,000
Deferred credits - OPEB	975,639	401	976,040	245,614
Total deferred inflows of resources	12,452,591	91,449	12,544,040	2,112,614
NET POSITION				
Net investment in capital assets	62,007,215	151,900	62,159,115	60,349,774
Restricted	7,794,361	-	7,794,361	7,075,068
Unrestricted (deficit)	(50,333,231)	1,057,863	(49,275,368)	(52,507,658)
Total net position	\$ 19,468,345	\$ 1,209,763	\$ 20,678,108	\$ 14,917,184

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized comparative totals for 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 35,700,455	\$ 3,019,516	\$ 8,954,216	\$ -	\$ (23,726,723)	\$ -	\$ (23,726,723)	\$ (24,024,361)
Instructional student support	7,045,349	-	2,242,945	-	(4,802,404)	-	(4,802,404)	(6,738,595)
Administrative and financial support services	7,200,977	35,232	884,450	-	(6,281,295)	-	(6,281,295)	(6,673,373)
Operation and maintenance of plant services	5,600,431	35,834	158,287	-	(5,406,310)	-	(5,406,310)	(3,894,610)
Pupil transportation	3,001,771	23,335	1,186,193	-	(1,792,243)	-	(1,792,243)	(2,063,819)
Student activities	1,254,267	55,444	126,359	-	(1,072,464)	-	(1,072,464)	(907,062)
Community services	15,001	-	-	-	(15,001)	-	(15,001)	(12,351)
Interest and amortization expense related to noncurrent liabilities	11,930	-	645,351	-	633,421	-	633,421	1,045,760
Total governmental activities	<u>59,830,181</u>	<u>3,169,361</u>	<u>14,197,801</u>	<u>-</u>	<u>(42,463,019)</u>	<u>-</u>	<u>(42,463,019)</u>	<u>(43,268,411)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	<u>1,687,247</u>	<u>114,138</u>	<u>2,044,746</u>	<u>-</u>	<u>-</u>	<u>471,637</u>	<u>471,637</u>	<u>27,522</u>
Total primary government	<u>\$ 61,517,428</u>	<u>\$ 3,283,499</u>	<u>\$ 16,242,547</u>	<u>\$ -</u>	<u>(42,463,019)</u>	<u>471,637</u>	<u>(41,991,382)</u>	<u>(43,240,889)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					36,077,138	-	36,077,138	34,838,085
Earned income taxes levied for general purposes					4,906,596	-	4,906,596	4,312,936
Other taxes					1,083,807	-	1,083,807	1,197,834
Grants and entitlements not restricted to specific programs					5,442,963	-	5,442,963	5,185,077
Gain (loss) on sale of capital assets					208,433	-	208,433	(122,553)
Investment earnings					<u>31,908</u>	<u>1,461</u>	<u>33,369</u>	<u>32,034</u>
Total general revenues					<u>47,750,845</u>	<u>1,461</u>	<u>47,752,306</u>	<u>45,443,413</u>
CHANGE IN NET POSITION					5,287,826	473,098	5,760,924	2,202,524
NET POSITION								
Beginning of year					<u>14,180,519</u>	<u>736,665</u>	<u>14,917,184</u>	<u>12,714,660</u>
End of year					<u>\$ 19,468,345</u>	<u>\$ 1,209,763</u>	<u>\$ 20,678,108</u>	<u>\$ 14,917,184</u>

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Funds</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital</u>		
	<u>Fund</u>	<u>Projects</u>	<u>2022</u>	<u>2021</u>
ASSETS				
Cash	\$ 8,482,943	\$ 6,698,091	\$ 15,181,034	\$ 16,180,696
Investments	2,496,658	-	2,496,658	3,943,286
Taxes receivable	1,410,509	-	1,410,509	1,636,286
Due from other funds	-	1,100,000	1,100,000	1,938,093
Due from other governments	6,145,317	-	6,145,317	4,904,468
Other receivables	67,729	-	67,729	63,572
Inventory	-	-	-	2,157
Total assets	<u>\$ 18,603,156</u>	<u>\$ 7,798,091</u>	<u>\$ 26,401,247</u>	<u>\$ 28,668,558</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 935,156	\$ 3,730	\$ 938,886	\$ 2,052,493
Due to other funds	1,109,854	-	1,109,854	2,544,103
Accrued salaries, payroll withholdings and benefits	5,552,984	-	5,552,984	5,976,273
Unearned revenues	58,833	-	58,833	20,386
Other liabilities	7,039	-	7,039	9,279
Total liabilities	<u>7,663,866</u>	<u>3,730</u>	<u>7,667,596</u>	<u>10,602,534</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property and per capita taxes	231,010	-	231,010	291,685
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	2,157
Restricted for				
Capital projects	-	7,794,361	7,794,361	7,075,068
Committed to				
Retirement rate stabilization	3,420,310	-	3,420,310	3,420,310
Balance future budgets	1,977,899	-	1,977,899	1,977,899
Technology initiatives	1,720,344	-	1,720,344	1,720,344
Unassigned	3,589,727	-	3,589,727	3,578,561
Total fund balances	<u>10,708,280</u>	<u>7,794,361</u>	<u>18,502,641</u>	<u>17,774,339</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,603,156</u>	<u>\$ 7,798,091</u>	<u>\$ 26,401,247</u>	<u>\$ 28,668,558</u>

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

June 30, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 18,502,641
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	62,007,215
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	4,218,701
Some of the District's property and per capita taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	231,010
The Internal Service Fund is used by management to charge the cost of health insurance and unemployment claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position.	9,835,770
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	<u>(75,326,992)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 19,468,345</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Major Funds</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital</u>		
	<u>Fund</u>	<u>Projects</u>	<u>2022</u>	<u>2021</u>
REVENUES				
Local sources	\$ 45,333,228	\$ 7,054	\$ 45,340,282	\$ 43,488,245
State sources	14,442,988	-	14,442,988	14,605,906
Federal sources	5,190,866	-	5,190,866	3,778,244
Total revenues	<u>64,967,082</u>	<u>7,054</u>	<u>64,974,136</u>	<u>61,872,395</u>
EXPENDITURES				
Current				
Instruction	35,622,791	-	35,622,791	33,124,393
Support services	22,406,985	-	22,406,985	21,777,084
Operation of noninstructional services	1,198,501	-	1,198,501	1,200,144
Facilities acquisition, construction and improvement services	179,285	3,107,010	3,286,295	8,825,385
Debt service	2,052,400	-	2,052,400	3,599,500
Total expenditures	<u>61,459,962</u>	<u>3,107,010</u>	<u>64,566,972</u>	<u>68,526,506</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,507,120</u>	<u>(3,099,956)</u>	<u>407,164</u>	<u>(6,654,111)</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	267,249	-	267,249	693,516
Insurance recoveries	56,199	-	56,199	-
Refund of prior year receipts	(2,310)	-	(2,310)	(24,665)
Transfers in	-	3,819,249	3,819,249	2,631,609
Transfers out	(3,819,249)	-	(3,819,249)	(2,631,735)
Total other financing sources (uses)	<u>(3,498,111)</u>	<u>3,819,249</u>	<u>321,138</u>	<u>668,725</u>
NET CHANGE IN FUND BALANCES	9,009	719,293	728,302	(5,985,386)
FUND BALANCES				
Beginning of year	<u>10,699,271</u>	<u>7,075,068</u>	<u>17,774,339</u>	<u>23,759,725</u>
End of year	<u>\$ 10,708,280</u>	<u>\$ 7,794,361</u>	<u>\$ 18,502,641</u>	<u>\$ 17,774,339</u>

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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

Year ended June 30, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 728,302

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

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

Capital outlay expenditures	\$ 2,816,699	
Net book value of disposed capital assets	(58,816)	
Depreciation expense	<u>(2,972,140)</u>	(214,257)

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

Deferred inflows of resources June 30, 2021	(291,685)	
Deferred inflows of resources June 30, 2022	<u>231,010</u>	(60,675)

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

958,052

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

Repayment of bonds payable	2,000,000	
Amortization of bond discounts and premiums	<u>20,928</u>	2,020,928

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

Current year change in accrued interest payable	19,542	
Change in net pension liability and related deferred inflows and outflows	2,321,600	
Current year change in accrued retirement bonuses	(35,287)	
Current year change in compensated absences	2,255	
Current year change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(452,634)</u>	<u>1,855,476</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,287,826

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2022</u>	<u>2021</u>
	<u>Fund</u>	<u>Fund</u>		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 1,508,631	\$ 8,352,675	\$ 9,861,306	\$ 9,641,536
Investments	-	1,746,000	1,746,000	-
Due from other governments	58,749	-	58,749	27,032
Due from other funds	9,854	-	9,854	606,010
Other receivables	459	35,421	35,880	72,417
Inventories	64,601	-	64,601	26,284
Total current assets	<u>1,642,294</u>	<u>10,134,096</u>	<u>11,776,390</u>	<u>10,373,279</u>
NONCURRENT ASSETS				
Capital assets, net	151,900	-	151,900	149,230
Total assets	<u>1,794,194</u>	<u>10,134,096</u>	<u>11,928,290</u>	<u>10,522,509</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	111,162	-	111,162	99,644
Deferred charges on proportionate share of OPEB - PSERS	6,472	-	6,472	3,704
Total deferred outflows of resources	<u>117,634</u>	<u>-</u>	<u>117,634</u>	<u>103,348</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
LIABILITIES				
Accounts payable	6,601	-	6,601	2,578
Accrued salaries, payroll withholdings and benefits	269	298,326	298,595	320,897
Unearned revenue	45,015	-	45,015	42,855
Total current liabilities	<u>51,885</u>	<u>298,326</u>	<u>350,211</u>	<u>366,330</u>
NONCURRENT LIABILITIES				
Net PSERS liability - PSERS	528,343	-	528,343	603,609
Net OPEB liability - PSERS	30,388	-	30,388	26,487
Total noncurrent liabilities	<u>558,731</u>	<u>-</u>	<u>558,731</u>	<u>630,096</u>
Total liabilities	<u>610,616</u>	<u>298,326</u>	<u>908,942</u>	<u>996,426</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension PSERS	91,048	-	91,048	14,467
Deferred credits on proportionate share of OPEB - PSERS	401	-	401	581
Total deferred inflows of resources	<u>91,449</u>	<u>-</u>	<u>91,449</u>	<u>15,048</u>
Net investment in capital assets	151,900	-	151,900	149,230
Unrestricted	1,057,863	9,835,770	10,893,633	9,465,153
Total net position	<u>\$ 1,209,763</u>	<u>\$ 9,835,770</u>	<u>\$ 11,045,533</u>	<u>\$ 9,614,383</u>

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Service Fund</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES				
Charges for services	\$ 114,138	\$ 5,406,432	\$ 5,520,570	\$ 4,502,838
OPERATING EXPENSES				
Salaries	196,178	-	196,178	182,509
Employee benefits	127,031	4,457,753	4,584,784	4,364,603
Purchased and professional technical services	5,474	-	5,474	310
Purchased property services	20,049	-	20,049	33,090
Purchased services	396,679	-	396,679	359,925
Supplies	917,357	-	917,357	660,151
Depreciation	24,207	-	24,207	23,236
Other	272	142	414	369
Total operating expenses	<u>1,687,247</u>	<u>4,457,895</u>	<u>6,145,142</u>	<u>5,624,193</u>
Operating income (loss)	<u>(1,573,109)</u>	<u>948,537</u>	<u>(624,572)</u>	<u>(1,121,355)</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	1,461	9,515	10,976	5,096
Contributions and donations from private sources	1,500	-	1,500	7,491
State sources	98,836	-	98,836	81,189
Federal sources	1,944,410	-	1,944,410	1,228,332
Loss on disposal of capital assets	-	-	-	(899)
Total nonoperating revenues (expenses)	<u>2,046,207</u>	<u>9,515</u>	<u>2,055,722</u>	<u>1,321,209</u>
Change in net position before transfers	473,098	958,052	1,431,150	199,854
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>
CHANGE IN NET POSITION	473,098	958,052	1,431,150	199,980
NET POSITION				
Beginning of year	<u>736,665</u>	<u>8,877,718</u>	<u>9,614,383</u>	<u>9,414,403</u>
End of year	<u>\$ 1,209,763</u>	<u>\$ 9,835,770</u>	<u>\$ 11,045,533</u>	<u>\$ 9,614,383</u>

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2022</u>	<u>2021</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 115,839	\$ -	\$ 115,839	\$ 71,480
Cash received from assessments made to other funds	-	6,043,428	6,043,428	3,789,280
Cash payments to employees for services	(333,681)	-	(333,681)	(311,043)
Cash payments for insurance claims	-	(4,480,928)	(4,480,928)	(4,239,482)
Cash payments to suppliers for goods and services	(1,258,062)	-	(1,258,062)	(922,241)
Cash payments for other operating expenses	-	(142)	(142)	-
Net cash used for operating activities	<u>(1,475,904)</u>	<u>1,562,358</u>	<u>86,454</u>	<u>(1,612,006)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	98,015	-	98,015	82,617
Federal sources	1,795,702	-	1,795,702	1,143,436
Contributions and donations from private sources	1,500	-	1,500	7,491
Transfers in	-	-	-	126
Net cash provided by noncapital financing activities	<u>1,895,217</u>	<u>-</u>	<u>1,895,217</u>	<u>1,233,670</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(26,877)	-	(26,877)	(18,970)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	1,461	9,515	10,976	5,096
Net sale (purchase) of investments	-	(1,746,000)	(1,746,000)	-
Net cash provided by investing activities	<u>1,461</u>	<u>(1,736,485)</u>	<u>(1,735,024)</u>	<u>5,096</u>
Net increase (decrease) in cash	393,897	(174,127)	219,770	(392,210)
CASH				
Beginning of year	1,114,734	8,526,802	9,641,536	10,033,746
End of year	<u>\$ 1,508,631</u>	<u>\$ 8,352,675</u>	<u>\$ 9,861,306</u>	<u>\$ 9,641,536</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (1,573,109)	\$ 948,537	\$ (624,572)	\$ (1,121,355)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	24,207	-	24,207	23,236
Donated commodities used	117,812	-	117,812	117,476
(Increase) decrease in				
Due from other funds	(3,844)	600,000	596,156	(589,515)
Other receivables	(459)	36,996	36,537	(31,542)
Inventories	(38,317)	-	(38,317)	4,555
Deferred outflows of resources	(14,286)	-	(14,286)	(13,400)
Increase (decrease) in				
Accounts payable	6,118	(2,095)	4,023	(19,283)
Accrued salaries, payroll withholdings and benefits	(1,222)	(21,080)	(22,302)	30,327
Unearned revenue	2,160	-	2,160	(10,536)
Net pension liability	(75,266)	-	(75,266)	5,984
Net OPEB liability	3,901	-	3,901	(682)
Deferred inflows of resources	76,401	-	76,401	(7,271)
Net cash used for operating activities	<u>\$ (1,475,904)</u>	<u>\$ 1,562,358</u>	<u>\$ 86,454</u>	<u>\$ (1,612,006)</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 117,812	\$ -	\$ 117,812	\$ 117,476

See accompanying notes

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	Private- Purpose Trust	Student Activities Fund	Totals	
			2022	2021
ASSETS				
Cash	\$ 77,380	\$ 81,973	\$ 159,353	\$ 133,613
Accounts receivable	-	355	355	20
Total assets	<u>77,380</u>	<u>82,328</u>	<u>159,708</u>	<u>133,633</u>
LIABILITIES				
Accounts payable	-	433	433	1,236
NET POSITION				
Net position held in trust for scholarships	77,380	-	77,380	77,577
Restricted for student activities	-	81,895	81,895	54,820
Total fund balances	<u>77,380</u>	<u>81,895</u>	<u>159,275</u>	<u>132,397</u>
Total liabilities and fund balances	<u>\$ 77,380</u>	<u>\$ 82,328</u>	<u>\$ 159,708</u>	<u>\$ 133,633</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Private- Purpose Trust	Student Activities Fund	Totals	
			2022	2021
ADDITIONS				
Contributions	\$ 1,720	-	\$ 1,720	\$ 1,300
Receipts from student groups	-	123,501	123,501	34,375
Investment earnings	83	91	174	76
Total additions	<u>1,803</u>	<u>123,592</u>	<u>125,395</u>	<u>35,751</u>
DEDUCTIONS				
Scholarships awarded and fees paid	2,000	-	2,000	1,122
Student activity disbursements	-	96,517	96,517	40,733
Total deductions	<u>2,000</u>	<u>96,517</u>	<u>98,517</u>	<u>41,855</u>
CHANGE IN NET POSITION	(197)	27,075	26,878	(6,104)
NET POSITION				
Beginning of year	<u>77,577</u>	<u>54,820</u>	<u>132,397</u>	<u>138,501</u>
End of year	<u>\$ 77,380</u>	<u>\$ 81,895</u>	<u>\$ 159,275</u>	<u>\$ 132,397</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Eastern Lancaster County School District (the "***District***") operates three elementary schools, one middle school, a senior high school and an online virtual academy to provide education and related services to the residents in the Townships of Brecknock, Caernarvon, Earl and East Earl and the Boroughs of New Holland and Terre Hill. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "***School Board***").

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

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Revenue Recognition

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

Expenditure Recognition

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Proprietary Funds

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

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

The Internal Service Fund is used to account for the District's self-funded health insurance and unemployment programs.

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

Fiduciary Funds

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

Interfund Receivables and Payables

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

Property Taxes

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

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
January 1	- Lien date

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The County Board of Assessments determines assessed valuations of property and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2021-2022 was 12.85 mills (\$12.85 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

Installment One	- August 31
Installment Two	- October 31
Installment Three	- December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Unearned Revenues

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

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$4,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: land improvements – 20 years; buildings and improvements – 20-40 years; furniture and equipment – 5-20 years; vehicles – 8-10 years; textbooks and library books – 5 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2022.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

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

Fund Equity

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

Non-spendable

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

Restricted

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

Committed

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

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Chief of Finance and Operations or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Unassigned

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2021, the District adopted the provisions of GASB Statement No. 87 "*Leases*"; GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*"; GASB Statement No. 91, "*Conduit Debt Obligations*", and GASB Statement No. 92, "*Omnibus 2020*".

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

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 had no impact on the District's financial statements for the year ended June 30, 2022.

GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 had no impact on the District's financial statements for the year ended June 30, 2022.

New Accounting Pronouncements

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

(3) DEPOSITS AND INVESTMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2022, the carrying amount of the District's deposits was \$25,201,693 and the bank balance was \$25,704,815. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. All of the cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net assets value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2022, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

Investments

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

Investments due within one year –

PSDLAF collateralized investment pool
and certificates of deposit

\$4,242,658

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2022.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. The District had no investments subject to interest rate risk as of June 30, 2022.

Credit Risk

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

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,466,699	\$ -	\$ -	\$ 5,466,699
Construction in progress	<u>4,776,979</u>	<u>701,683</u>	<u>4,776,979</u>	<u>701,683</u>
Total capital assets not being depreciated	<u>10,243,678</u>	<u>701,683</u>	<u>4,776,979</u>	<u>6,168,382</u>
Capital assets being depreciated				
Land improvements	3,935,397	2,824,357	-	6,759,754
Buildings and improvements	91,395,946	3,646,515	43,500	94,998,961
Furniture and equipment	7,863,885	352,239	19,410	8,196,714
Vehicles	1,010,890	60,495	65,785	1,005,600
Textbooks and library books	<u>182,745</u>	<u>8,389</u>	<u>50,211</u>	<u>140,923</u>
Total capital assets being depreciated	<u>104,388,863</u>	<u>6,891,995</u>	<u>178,906</u>	<u>111,101,952</u>
Less accumulated depreciation for				
Land improvements	(1,530,413)	(256,907)	-	(1,787,320)
Buildings and improvements	(44,571,550)	(2,066,380)	(4,350)	(46,633,580)
Furniture and equipment	(5,498,548)	(538,307)	(19,177)	(6,017,678)
Vehicles	(688,162)	(85,911)	(46,352)	(727,721)
Textbooks and library books	<u>(122,396)</u>	<u>(24,635)</u>	<u>(50,211)</u>	<u>(96,820)</u>
Total accumulated depreciation	<u>(52,411,069)</u>	<u>(2,972,140)</u>	<u>(120,090)</u>	<u>(55,263,119)</u>
Total capital assets being depreciated, net	<u>51,977,794</u>	<u>3,919,855</u>	<u>58,816</u>	<u>55,838,833</u>
Governmental activities, net	<u>\$ 62,221,472</u>	<u>\$ 4,621,538</u>	<u>\$ 4,835,795</u>	<u>\$ 62,007,215</u>
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	\$ 623,567	\$ 26,877	\$ -	\$ 650,444
Vehicles	<u>81,963</u>	<u>-</u>	<u>-</u>	<u>81,963</u>
Total capital assets being depreciated	<u>705,530</u>	<u>26,877</u>	<u>-</u>	<u>732,407</u>
Less accumulated depreciation				
Machinery and equipment	(509,712)	(17,300)	-	(527,012)
Vehicles	<u>(46,588)</u>	<u>(6,907)</u>	<u>-</u>	<u>(53,495)</u>
Total accumulated depreciation	<u>(556,300)</u>	<u>(24,207)</u>	<u>-</u>	<u>(580,507)</u>
Business-type activities, net	<u>\$ 149,230</u>	<u>\$ 2,670</u>	<u>\$ -</u>	<u>\$ 151,900</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Governmental activities	
Instruction	\$1,965,468
Instructional student support	99,630
Administrative and financial support services	494,134
Operation and maintenance of plant services	267,958
Pupil transportation	4,420
Student activities	<u>140,530</u>
Total depreciation expense – governmental activities	<u>\$2,972,140</u>
Business-type activities	
Food service	<u>\$ 24,207</u>

As of June 30, 2022, the district had outstanding construction projects to be completed. The amounts remaining to be completed for the New Holland Elementary School retrofit was \$901,466.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Capital Projects Fund	\$1,100,000	General Fund	\$1,100,000
Food Service Fund	<u>9,854</u>	General Fund	<u>9,854</u>
	<u>\$1,109,854</u>		<u>\$1,109,854</u>

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

A summary of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	<u>\$3,819,249</u>	General Fund	<u>\$3,819,249</u>

Transfers from the General Fund to the Capital Projects Fund represent transfers to subsidize costs associated with the acquisition of capital assets.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -	\$ -
Bond premiums	24,828	-	24,828	-	-
Bond discounts	<u>(3,900)</u>	<u>-</u>	<u>(3,900)</u>	<u>-</u>	<u>-</u>
Total general obligation debt	<u>2,020,928</u>	<u>-</u>	<u>2,020,928</u>	<u>-</u>	<u>-</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Other noncurrent liabilities					
Compensated absences	407,172	-	2,255	404,917	140
Accrued retirement bonuses	254,385	35,287	-	289,672	-
OPEB liability	4,112,158	90,358	-	4,202,516	-
Net OPEB liability – PSERS	3,391,735	438,742	-	3,830,477	-
Net pension liability - PSERS	<u>77,292,514</u>	<u>-</u>	<u>10,693,104</u>	<u>66,599,410</u>	<u>-</u>
Total other noncurrent liabilities	<u>85,457,964</u>	<u>564,387</u>	<u>10,695,359</u>	<u>75,326,992</u>	<u>140</u>
Total governmental activities	<u>87,478,892</u>	<u>564,387</u>	<u>12,716,287</u>	<u>75,326,992</u>	<u>140</u>
Business-type activities					
Net OPEB liability – PSERS	26,487	3,901	-	30,388	-
Net pension liability - PSERS	<u>603,609</u>	<u>-</u>	<u>75,266</u>	<u>528,343</u>	<u>-</u>
Total business-type activities	<u>630,096</u>	<u>3,901</u>	<u>75,266</u>	<u>558,731</u>	<u>-</u>
Total noncurrent liabilities	<u>\$88,108,988</u>	<u>\$568,288</u>	<u>\$12,791,553</u>	<u>\$75,885,723</u>	<u>\$140</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

(7) ACCRUED RETIREMENT BONUSES

Upon voluntary retirement, a professional employee with 25 years or more with the Public School Employee's Retirement System and at least 10 consecutive years of employment with the District will receive a retirement bonus of \$6,000 if notice is given of their intent to retire by September 15th for mid-year retirements coinciding with the end of the first semester or by January 15th for end of the year retirements. Additionally, all support staff retiring from the District with 15 full-time years of service shall receive a retirement bonus of \$3,000 plus \$200 for each year of service beyond.

(8) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2021:

Active plan members	308
Inactive plan members entitled to but not yet receiving benefits	-
Inactive plan members or beneficiaries currently receiving benefits	<u>8</u>
Total	<u>316</u>

Funding Policy

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$4,202,516, all of which is unfunded. As of June 30, 2022, the OPEB liability of \$4,202,516 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its OPEB liability for the year ended June 30, 2022 was as follows:

Balances as of July 1, 2021	<u>\$4,112,158</u>
Changes for the year:	
Service cost	35,201
Interest on total OPEB liability	140,935
Changes of benefit terms	36,791
Differences between expected and actual experience	(861,641)
Changes of assumptions	945,147
Benefit payments	<u>(206,075)</u>
Net changes	<u>90,358</u>
Balances as of June 30, 2022	<u>\$4,202,516</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$441,336. At June 30, 2022, the District had deferred inflows of resources and deferred outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ -	\$925,040
Changes in assumptions	1,763,902	-
Contributions subsequent to the measurement date	<u>79,236</u>	<u>-</u>
	<u>\$1,843,138</u>	<u>\$925,040</u>

\$79,236 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2023	\$228,409
2024	228,409
2025	167,180
2026	95,298
2027	67,374
Thereafter	<u>52,192</u>
	<u>\$838,862</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

The following presents the OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$3,678,049</u>	<u>\$4,202,516</u>	<u>\$4,826,362</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 2.28%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.28%) or 1 percentage point higher (3.28%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.28%</u>	<u>2.28%</u>	<u>3.28%</u>
OPEB Liability	<u>\$4,531,527</u>	<u>\$4,202,516</u>	<u>\$3,888,104</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of July 1, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 2.28% - Standard and Poors 20-year high grade bond rate. The discount rate changed from 3.50% to 2.28%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.50% in 2020 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% in 2075.
- Mortality – separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

Plan Description

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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June 30, 2022

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

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$197,270 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$3,860,865 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.1629 percent, which was an increase of 0.0047 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the OPEB liability of \$3,830,477 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$30,388 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2022, the District recognized OPEB expense of \$273,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 36,000	\$ -
Changes in assumptions	411,000	51,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportions	170,000	-
Contributions subsequent to the measurement date	<u>197,270</u>	<u>-</u>
	<u>\$822,270</u>	<u>\$51,000</u>

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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\$197,270 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Date
Year ended June 30,

2023	\$ 105,000
2024	104,000
2025	122,000
2026	98,000
2027	80,000
Thereafter	<u>65,000</u>
	<u>\$574,000</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.18% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.80%	0.10 %
US core fixed income	17.50%	0.70 %
Non-US developed fixed	<u>2.70%</u>	(0.30)%
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2021, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$3,860,427</u>	<u>\$3,860,865</u>	<u>\$3,861,211</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	<u>1% Decrease</u> <u>1.18%</u>	<u>Current Discount Rate</u> <u>2.18%</u>	<u>1% Increase</u> <u>3.18%</u>
District's proportionate share of the net OPEB liability	<u>\$4,430,825</u>	<u>\$3,860,865</u>	<u>\$3,391,418</u>

OPEB Plan Fiduciary Net Position

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

(9) 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.

Plan Description

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

Benefits Provided

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

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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

Contributions

Member Contributions

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

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

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

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

Employees who become an active member of PSERS on or after July 1, 2019, are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined PSERS after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate), including a 2.75% defined contribution component of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component of the member's qualifying compensation. Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect a DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$8,418,518 for the year ended June 30, 2022.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

At June 30, 2022, the District reported a liability of \$67,127,753 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.1635 percent, which was an increase of 0.0053 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, the net pension liability of \$66,599,410 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$528,343 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2022, the District recognized pension expense of \$6,101,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 49,000	\$ 882,000
Changes in assumptions	3,256,000	-
Net difference between projected and actual investment earnings	-	10,686,000
Changes in proportions	2,400,000	-
Contributions subsequent to the measurement date	<u>8,418,518</u>	<u>-</u>
	<u>\$14,123,518</u>	<u>\$11,568,000</u>

\$8,418,518 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Date Year ended June 30,

2023	\$(1,225,000)
2024	(522,000)
2025	(662,000)
2026	<u>(3,454,000)</u>
	<u>\$(5,863,000)</u>

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.5% and 2.00% for real wage growth and for merit or seniority increases.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.00 %	5.20%
Private equity	12.00 %	7.30%
Fixed income	35.00 %	1.80%
Commodities	10.00 %	2.00%
Absolute return	8.00 %	3.10%
Infrastructure/MLPs	8.00 %	5.10%
Real estate	10.00 %	4.70%
Cash	3.00 %	0.10%
Leverage	<u>(13.00)%</u>	0.10%
	<u>100.00 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

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

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

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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	<u>1% Decrease</u> <u>6.00%</u>	<u>Current Discount Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
District's proportionate share of the net pension liability	<u>\$88,107,627</u>	<u>\$67,127,753</u>	<u>\$49,430,193</u>

Pension Plan Fiduciary Net Position

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

(10) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Joint Ventures

Lancaster County Career and Technology Center

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center ("**LCCTC**"). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2021-2022 was \$1,045,687.

Lancaster County Career and Technology Center Authority

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2021-2022 was \$96,397.

On September 20, 2011, the Authority authorized the issuance of Guaranteed Lease Revenue Bonds (the "**Revenue Bonds**"), in the maximum aggregate principal amount of \$43,000,000 to provide funds for the renovations and additions to the Brownstown, Mount Joy and Willow Street campuses of the LCCTC and pay for the costs of issuance. The District and the 15 Lancaster County school districts have entered into a long-term lease agreements with the Authority stipulating that each school district pay its proportionate share of the lease rentals in order to retire the Revenue Bonds based on real estate market values as set forth in the LCCTC organization agreement. The Revenue Bonds were issued in three different series over three years. The amount of each series was not to exceed \$10,000,000 without the participating school districts' approval. On June 29, 2012, the Authority issued the first of three series in the total amount of \$9,995,000 which was refinanced in February 2018. On September 20, 2013, the Authority issued the second of three series in the total amount of \$9,995,000 which was refinanced in February 2017 and on July 9, 2014, the Authority issued the final of the three series in the total amount of \$3,900,000. On June 1, 2020, the Authority refinanced its Series of 2013 and Series of 2014 Revenue Bonds by issuing the Series of 2020 Revenue Bonds in the amount of \$11,145,000. The District's lease rental obligations for minimum rental payments related to the issued debt are as follows:

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Year ending June 30,

2023	\$ 93,669
2024	93,278
2025	93,521
2026	94,010
2027	93,370
2028-2032	461,245
2033-2037	<u>458,310</u>
	<u>\$1,387,403</u>

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

Jointly Governed Organizations

Lancaster-Lebanon Intermediate Unit

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the "**LLIU**"). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2021-2022, the District contracted with the LLIU for special education services which totaled \$590,243.

Lancaster-Lebanon Joint Authority

The District and the other Lancaster and Lebanon County school district are also participating members of the Lancaster-Lebanon Joint Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2021-2022, the District did not have any financial transactions with the Authority.

Lancaster County Tax Collection Bureau

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the "**Bureau**") for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The District contracts with the Bureau for the collection of property and earned income taxes. During 2021-2022, the District contracted with the Bureau for tax collection services which totaled \$72,737.

(11) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Litigation

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

(12) RISK MANAGEMENT

Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District was limited in liability to \$175,000 per individual and \$3,605,157 in total for self-insurance medical claims for the year ended June 30, 2022.

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2022 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Insurance claims liability – beginning of year	\$ 319,406	\$ 287,603
Current year insurance claims, fees and changes in estimates	4,457,753	4,252,914
Insurance claims and fees paid	<u>(4,478,833)</u>	<u>(4,221,111)</u>
Insurance claims liability – end of year	<u>\$ 298,326</u>	<u>\$ 319,406</u>

Property and Liability

The District and 15 participating member school districts, the LLIU, the Lancaster County Academy, and the LCCTC participate in the Lancaster-Lebanon Public Schools Insurance Pool (the "**Pool**"), which is a public entity risk pool currently operating as a common risk management and insurance program. The District and the other participating members pay an annual premium to the Pool for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the pools insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Pool, that the Pool will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the Pool against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance for claims greater than \$100,000 per occurrence. As of June 30, 2022, the District is not aware of any additional assessments relating to the Pool.

Workers' Compensation

The District and 16 participating member school districts, the LLIU and Lancaster County Academy participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the "**Fund**"), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2022, the District is not aware of any additional assessments relating to this Fund.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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Other Risks

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

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 17, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 42,352,617	\$ 42,352,617	\$ 45,333,228	\$ 2,980,611
State sources	14,281,731	14,281,731	14,442,988	161,257
Federal sources	7,144,823	7,144,823	5,190,866	(1,953,957)
Total revenues	<u>63,779,171</u>	<u>63,779,171</u>	<u>64,967,082</u>	<u>1,187,911</u>
EXPENDITURES				
Instruction				
Regular programs	25,303,855	25,268,434	25,231,205	37,229
Special programs	8,838,729	8,931,579	8,930,075	1,504
Vocational programs	1,277,929	1,281,529	1,278,180	3,349
Other instructional programs	201,684	121,584	117,953	3,631
Nonpublic school programs	42,724	65,474	65,378	96
Total instruction	<u>35,664,921</u>	<u>35,668,600</u>	<u>35,622,791</u>	<u>45,809</u>
Support services				
Pupil support services	2,327,859	2,383,759	2,382,401	1,358
Instructional staff services	3,799,414	3,645,114	3,642,664	2,450
Administrative services	3,212,586	3,467,186	3,466,159	1,027
Pupil health	1,338,260	1,308,560	1,307,888	672
Business services	654,981	626,781	624,787	1,994
Operation and maintenance of plant services	4,094,606	4,733,306	4,729,531	3,775
Student transportation services	3,269,427	3,013,427	3,010,932	2,495
Support services - central	2,303,675	3,199,475	3,197,220	2,255
Other support services	36,225	45,525	45,403	122
Total support services	<u>21,037,033</u>	<u>22,423,133</u>	<u>22,406,985</u>	<u>16,148</u>
Operation of non-instructional services				
Student activities	1,014,014	1,183,714	1,183,500	214
Community services	8,800	20,500	15,001	5,499
Total operation of non-instructional services	<u>1,022,814</u>	<u>1,204,214</u>	<u>1,198,501</u>	<u>5,713</u>
Facilities acquisition, construction and improvement services				
	-	179,800	179,285	515
Debt service				
	2,062,400	2,062,400	2,052,400	10,000
Total expenditures	<u>59,787,168</u>	<u>61,538,147</u>	<u>61,459,962</u>	<u>78,185</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>3,992,003</u>	<u>2,241,024</u>	<u>3,507,120</u>	<u>1,266,096</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	-	-	267,249	267,249
Budgetary reserve	(5,487,969)	(1,006,990)	-	1,006,990
Insurance recoveries	-	-	56,199	56,199
Refund of prior year receipts	-	-	(2,310)	(2,310)
Transfers out	(1,093,621)	(3,823,621)	(3,819,249)	4,372
Total other financing sources (uses)	<u>(6,581,590)</u>	<u>(4,830,611)</u>	<u>(3,498,111)</u>	<u>1,332,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,589,587)</u>	<u>\$ (2,589,587)</u>	<u>9,009</u>	<u>\$ 2,598,596</u>
FUND BALANCE				
Beginning of year			10,699,271	
End of year			<u>\$ 10,708,280</u>	

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1635%	0.1582%	0.1570%	0.1553%	0.1518%	0.1496%	0.1456%	0.1459%
District's proportionate share of the net pension liability	\$ 67,127,753	\$ 77,896,123	\$ 73,448,695	\$ 74,551,711	\$ 74,971,599	\$ 73,988,343	\$ 63,067,000	\$ 57,748,000
District's covered-employee payroll	\$ 23,097,511	\$ 22,205,914	\$ 21,655,466	\$ 20,908,291	\$ 20,204,364	\$ 19,341,198	\$ 18,737,804	\$ 18,614,958
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.63%	350.79%	339.17%	356.57%	371.07%	382.54%	336.58%	310.22%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,770,043	\$ 7,345,116	\$ 7,030,831	\$ 6,589,888	\$ 5,806,210	\$ 4,750,000	\$ 3,760,000	\$ 2,906,000
Contributions in relation to the contractually required contribution	<u>7,770,043</u>	<u>7,345,116</u>	<u>7,030,831</u>	<u>6,589,888</u>	<u>5,806,210</u>	<u>4,750,000</u>	<u>3,760,000</u>	<u>2,906,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 23,097,511	\$ 22,205,914	\$ 21,655,466	\$ 20,908,291	\$ 20,204,364	\$ 19,341,198	\$ 18,737,804	\$ 18,614,958
Contributions as a percentage of covered-employee payroll	33.64%	33.08%	32.47%	31.52%	28.74%	24.56%	20.07%	15.61%

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 35,201	\$ 40,631	\$ 36,741	\$ 41,869	\$ 100,768
Interest on total OPEB liability	140,935	141,245	102,520	105,584	105,912
Changes of benefit terms	36,791	-	-	-	-
Differences between expected and actual experience	(861,641)	-	(176,997)	-	(27,626)
Change of assumptions	945,147	-	869,705	-	1,031,285
Benefit payments	<u>(206,075)</u>	<u>(169,942)</u>	<u>(261,412)</u>	<u>(232,624)</u>	<u>(285,055)</u>
Net change in total OPEB liability	90,358	11,934	570,557	(85,171)	925,284
Total OPEB liability, beginning	<u>4,112,158</u>	<u>4,100,224</u>	<u>3,529,667</u>	<u>3,614,838</u>	<u>2,689,554</u>
Total OPEB liability, ending	<u>\$ 4,202,516</u>	<u>\$ 4,112,158</u>	<u>\$ 4,100,224</u>	<u>\$ 3,529,667</u>	<u>\$ 3,614,838</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 21,047,664	\$ 22,642,910	\$ 22,090,644	\$ 19,004,536	\$ 18,541,011
Net OPEB liability as a % of covered payroll	19.97%	18.16%	18.56%	18.57%	19.50%

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.1629%	0.1582%	0.1570%	0.1553%	0.1518%
District's proportionate share of the net OPEB liability	\$ 3,860,865	\$ 3,418,222	\$ 3,339,142	\$ 3,237,926	\$ 3,092,791
District's covered-employee payroll	\$ 23,097,511	\$ 22,205,914	\$ 21,655,466	\$ 20,908,291	\$ 20,204,364
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.39%	15.42%	15.49%	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	6.00%

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

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 189,559	\$ 186,238	\$ 179,876	\$ 173,507	\$ 167,827
Contributions in relation to the contractually required contribution	<u>189,559</u>	<u>186,238</u>	<u>179,876</u>	<u>173,507</u>	<u>167,827</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 23,097,511	\$ 22,205,914	\$ 21,655,466	\$ 20,908,291	\$ 20,204,364
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.83%	0.83%	0.83%

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

SINGLE AUDIT

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-200130	07/01/19 - 09/30/20	\$ 838,212	\$ -	\$ (1,530)	\$ 1,530	\$ 1,530	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-210130	07/01/20 - 09/30/21	762,236	105,201	94,789	10,412	10,412	-	-
Title I - Improving Basic Programs	I	84.010	013-220130	07/01/21 - 09/30/22	1,042,811	788,623	-	908,069	908,069	119,446	-
Total ALN #84.010						893,824	93,259	920,011	920,011	119,446	-
Title II - Improving Teacher Quality	I	84.367	020-200130	07/01/19 - 09/30/20	166,594	-	(2,447)	1,010	1,010	(1,437)	-
Title II - Improving Teacher Quality	I	84.367	020-210130	07/01/20 - 09/30/21	141,342	-	(11,145)	10,998	10,998	(147)	-
Title II - Improving Teacher Quality	I	84.367	020-220130	07/01/21 - 09/30/22	179,392	145,771	-	161,818	161,818	16,047	-
Total ALN #84.367						145,771	(13,592)	173,826	173,826	14,463	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-220130	07/01/21 - 09/30/22	14,876	14,691	-	14,876	14,876	185	-
Title IV - Student Support and Academic Achievement	I	84.424	144-200130	07/01/19 - 09/30/20	63,369	4,526	3,362	1,164	1,164	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-210130	07/01/20 - 09/30/21	63,406	4,529	(4,263)	23,314	23,314	14,522	-
Title IV - Student Support and Academic Achievement	I	84.424	144-220130	07/01/21 - 09/30/22	57,159	22,850	-	14,531	14,531	(8,319)	-
Total ALN #84.424						31,905	(901)	39,009	39,009	6,203	-
Education Stabilization Fund (SECIM)	I	84.425C	252-200130	03/13/20 - 09/30/21	34,960	9,200	9,200	-	-	-	-
COVID-19 Education Stabilization Fund (ESSER I)	I	84.425D	200-200130	03/13/20 - 09/30/21	686,692	144,567	144,567	-	-	-	-
COVID-19 Education Stabilization Fund (ESSER II)	I	84.425D	200-210130	03/13/20 - 09/30/23	2,806,748	1,501,284	401,099	1,634,830	1,634,830	534,645	-
COVID-19 Education Stabilization Fund (ESSER III)	I	84.425U	223-210130	03/13/20 - 09/30/24	5,677,239	412,890	39,151	852,174	852,174	478,435	-
COVID-19 Education Stabilization Fund (ESSER III) - 7% Set Aside	I	84.425U	225-210130	03/13/20 - 09/30/24	378,213	20,630	-	-	-	(20,630)	-
Passed-Through the Pennsylvania Commission on Crime and Delinquency											
COVID19 ESSER Fund (PCCD Part II)	I	84.425D	2020-ES-01-35361	03/13/20 - 09/30/22	88,851	87,564	70,535	18,316	18,316	1,287	-
Total ALN #84.425						2,176,135	664,552	2,505,320	2,505,320	993,737	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
Passed Through the Lancaster-Lebanon I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-210013	07/01/20 - 09/30/21	554,962	429,659	429,659	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-220013	07/01/21 - 09/30/22	533,784	170,127	-	533,784	533,784	363,657	-
COVID-19 I.D.E.A. - Part B, Section 611 - ARP Funds	I	84.027	062-220013	07/01/21 - 09/30/23	126,974	4,482	-	4,482	4,482	-	-
Total ALN #84.027						604,268	429,659	538,266	538,266	363,657	-
I.D.E.A. - Part B, Section 619	I	84.173	062-210013	07/01/21 - 06/30/22	2,167	-	-	2,167	2,167	2,167	-
Total U.S. Department of Education						3,866,594	1,172,977	4,193,475	4,193,475	1,499,858	-
Federal Communication Commission											
Emergency Connectivity Fund Program	I	21.019	N/A	07/01/21 -06/30/22	376,894	-	-	369,850	369,850	369,850	-
U.S. Department of Health and Human Services											
Passed Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	N/A	21,089	21,089	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/21 - 06/30/22	N/A	15,739	-	35,324	35,324	19,585	-
Total U.S. Department of Health and Human Services						36,828	21,089	35,324	35,324	19,585	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
State Matching Share - Breakfast	S	N/A	N/A	07/01/20 - 06/30/21	N/A	332	332	-	-	-	-
State Matching Share - Breakfast	S	N/A	N/A	07/01/21 - 06/30/22	N/A	17,026	-	17,632	17,632	606	-
Total State Matching Share - Breakfast						17,358	332	17,632	17,632	606	-
State Matching Share - Lunch	S	N/A	N/A	07/01/20 - 06/30/21	N/A	713	713	-	-	-	-
State Matching Share - Lunch	S	N/A	N/A	07/01/21 - 06/30/22	N/A	39,192	-	40,452	40,452	1,260	-
Total State Matching Share - Lunch						39,905	713	40,452	40,452	1,260	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/21 - 06/30/22	N/A	614	-	614	614	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	7,509	7,509	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	433,930	-	449,727	449,727	15,797	-
Total ALN #10.553						441,439	7,509	449,727	449,727	15,797	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	18,477	18,477	-	-	-	-
National School Lunch Program	i	10.555	N/A	07/01/21 - 06/30/22	N/A	1,273,319	-	1,314,404	1,314,404	41,085	-
Supply Chain Assistance	i	10.555	N/A	07/01/21 - 06/30/22	N/A	58,101	-	58,101	58,101	-	-
SNP Emergency Operating Costs	I	10.555	N/A	07/01/21 - 06/30/22	N/A	3,753	-	3,753	3,753	-	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	130,776	(6,491)	117,811	117,811	(19,456)	-
Total ALN #10.555						1,484,426	11,986	1,494,069	1,494,069	21,629	-
Total U.S. Department of Agriculture						<u>1,983,742</u>	<u>20,540</u>	<u>2,002,494</u>	<u>2,002,494</u>	<u>39,292</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 5,887,164</u>	<u>\$ 1,214,606</u>	<u>\$ 6,601,143</u>	<u>\$ 6,601,143</u>	<u>\$ 1,928,585</u>	<u>\$ -</u>
Total Federal Awards						\$ 5,829,901	\$ 1,213,561	\$ 6,543,059	\$ 6,543,059	\$ 1,926,719	\$ -
Total State Awards						57,263	1,045	58,084	58,084	1,866	-
Total Federal Awards and Certain State Grants						<u>\$ 5,887,164</u>	<u>\$ 1,214,606</u>	<u>\$ 6,601,143</u>	<u>\$ 6,601,143</u>	<u>\$ 1,928,585</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						<u>\$ 604,268</u>	<u>\$ 429,659</u>	<u>\$ 540,433</u>	<u>\$ 540,433</u>	<u>\$ 365,824</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.553 and #10.555)						<u>\$ 1,925,865</u>	<u>\$ 19,495</u>	<u>\$ 1,943,796</u>	<u>\$ 1,943,796</u>	<u>\$ 37,426</u>	<u>\$ -</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Funding

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2022

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

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

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under Assistance Listing #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2021-2022 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2022 was \$592,217.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

There were no audit findings for the year ended June 30, 2021.



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

**Board of School Directors
Eastern Lancaster County School District
New Holland, 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 Eastern Lancaster County School District, New Holland, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Eastern Lancaster County School District's basic financial statements, and have issued our report thereon dated March 17, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
March 17, 2023**



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

**Board of School Directors
Eastern Lancaster County School District
New Holland, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Eastern Lancaster County 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

Philadelphia, Pennsylvania
March 17, 2023

EASTERN LANCASTER COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Eastern Lancaster County School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Eastern Lancaster County School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Eastern Lancaster County School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Eastern Lancaster County School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Child Nutrition Cluster:
 - School Breakfast Program – Assistance Listing #10.553
 - National School Lunch Program – Assistance Listing #10.555

 - Education Stabilization Fund – Assistance Listing #84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Eastern Lancaster County School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None