



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

Financial Statements
Year Ended June 30, 2023



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LAMPETER-STRASBURG SCHOOL DISTRICT

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LAMPETER-STRASBURG SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Lampeter-Strasburg School District
Lampeter, 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 Lampeter-Strasburg School District, Lampeter, Pennsylvania as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lampeter-Strasburg School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lampeter-Strasburg School District, Lampeter, Pennsylvania as of June 30, 2023, 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 General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lampeter-Strasburg School District, Lampeter, Pennsylvania, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, Lampeter-Strasburg School District adopted new accounting guidance, GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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 Lampeter-Strasburg School District, Lampeter, Pennsylvania'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 Lampeter-Strasburg 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 Lampeter-Strasburg 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lampeter-Strasburg School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 October 16, 2023, on our consideration of Lampeter-Strasburg School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lampeter-Strasburg School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lampeter-Strasburg School District's internal control over financial reporting and compliance.

BBD, LLP

Philadelphia, Pennsylvania
October 16, 2023

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Management's discussion and analysis ("**MD&A**") of the financial performance of the Lampeter-Strasburg School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2023. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of two elementary schools, a middle school and a high school consisting of approximately 2,800 students. The District covers 36.2 square miles southeast of the City of Lancaster and is comprised of the Townships of Strasburg and West Lampeter, the Borough of Strasburg and an Annex of Lancaster City. As of the close of the 2022-2023 school year, there were 426 fulltime and regular parttime employees in the District, consisting of 211 teachers, 13 administrators, including general administration, principals and supervisors, and 202 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff, food service staff, technology staff, school monitors and staff nurses.

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

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit in total net position at the close of the 2022-2023 fiscal year of \$12,086,852. During the 2022-2023 fiscal year, the District had an increase in total net position of \$9,834,000. The net position of governmental activities increased by \$9,718,045 and the net position of the business-type activities increased by \$115,955.
- The General Fund reported an increase of fund balance of \$2,638,540, bringing the cumulative balance to \$12,451,368 at the conclusion of the 2022-2023 fiscal year.
- At June 30, 2023, the General Fund fund balance includes \$164,477 which is considered nonspendable, \$5,922,643 assigned to capital projects, \$1,111,500 assigned to retirement rate stabilization, \$32,005 assigned to technology initiatives, \$171,710 assigned for property tax assessment appeals, and an unassigned amount of \$5,049,033 or 8.36% of the \$60,391,401 General Fund expenditure budget for 2023-2024.
- Total General Fund revenues and other financing sources were \$4,116,732 more than budgeted amounts and total General Fund expenditures and other financing uses were \$677,486 more than budgeted amounts resulting in a net positive variance of \$3,439,246.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

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.

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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

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

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

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 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 and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 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 2022-2023 fiscal year the District's liabilities and deferred inflows of resources assets exceeded assets and deferred outflows of resources by \$12,086,852. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2023 and 2022.

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	\$ 40,400,865	\$ 46,345,628	\$ 1,124,998	\$ 1,019,342	\$ 41,525,863	\$ 47,364,970
Noncurrent assets	54,729,060	42,526,829	235,685	173,716	54,964,745	42,700,545
Total assets	<u>95,129,925</u>	<u>88,872,457</u>	<u>1,360,683</u>	<u>1,193,058</u>	<u>96,490,608</u>	<u>90,065,515</u>
DEFERRED OUTFLOWS						
Deferred charges – pension	10,672,220	11,646,264	393,473	392,797	11,065,693	12,039,061
Deferred charges – OPEB	1,018,620	1,364,953	14,409	30,696	1,033,029	1,395,649
Deferred amounts on debt refunding	2,458	3,661	-	-	2,458	3,661
Total deferred outflows	<u>11,693,298</u>	<u>13,014,878</u>	<u>407,882</u>	<u>423,493</u>	<u>12,101,180</u>	<u>13,438,371</u>
LIABILITIES						
Current liabilities	10,103,743	7,454,422	83,650	96,321	10,187,393	7,550,743
Noncurrent liabilities	<u>102,532,564</u>	<u>101,373,948</u>	<u>2,664,589</u>	<u>2,319,520</u>	<u>105,197,153</u>	<u>103,693,468</u>
Total liabilities	<u>112,636,307</u>	<u>108,828,370</u>	<u>2,748,239</u>	<u>2,415,841</u>	<u>115,384,546</u>	<u>111,244,211</u>
DEFERRED INFLOWS						
Deferred credits – pension	2,848,962	12,299,184	105,038	414,816	2,954,000	12,714,000
Deferred credits – OPEB	<u>2,234,873</u>	<u>1,374,745</u>	<u>105,221</u>	<u>91,782</u>	<u>2,340,094</u>	<u>1,466,527</u>
Total deferred outflows	<u>5,083,835</u>	<u>13,673,929</u>	<u>210,259</u>	<u>506,598</u>	<u>5,294,094</u>	<u>14,180,527</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	40,692,959	40,133,016	235,685	173,716	40,928,644	40,306,732
Restricted	4,852,014	3,020,377	-	-	4,852,014	3,020,377
Unrestricted (deficit)	<u>(56,441,892)</u>	<u>(63,768,357)</u>	<u>(1,425,618)</u>	<u>(1,479,604)</u>	<u>(57,867,510)</u>	<u>(65,247,961)</u>
Total net position (deficit)	<u>\$ (10,896,919)</u>	<u>\$ (20,614,964)</u>	<u>\$ (1,189,933)</u>	<u>\$ (1,305,888)</u>	<u>\$ (12,086,852)</u>	<u>\$ (21,920,852)</u>

The District's total assets as of June 30, 2023 were \$96,490,608 of which \$36,810,758 or 38.15%, consisted of cash and investments and \$54,964,745 or 56.96%, consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2023 were \$115,384,546 of which \$25,286,218 or 21.91% consisted of general obligation debt used to acquire and construct capital assets and \$71,934,212 or 62.34%, consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$57,867,510 at June 30, 2023. The District's unrestricted net position increased by \$7,380,451 during 2022-2023 primarily due to the results of current year operations and of the change in the District's actuarially determined net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$4,852,014 as of June 30, 2023. Most of the District's restricted net position is related to amounts restricted for capital expenditures. A small portion, \$21,737, is restricted for student activities at the elementary schools.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2023, the District's net investment in capital assets increased by \$621,912 because capital assets were acquired with sources other than debt.

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

The following table presents condensed information for the *Statement of Activities* of the District for 2023 and 2022:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
REVENUES						
Program revenues						
Charges for services	\$ 212,357	\$ 223,620	\$ 1,510,837	\$ 740,975	\$ 1,723,194	\$ 964,595
Operating grants and contributions	11,667,178	9,832,823	1,359,182	2,296,133	13,026,360	12,128,956
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	39,343,374	38,069,983	-	-	39,343,374	38,069,983
Other taxes levied for general purposes	4,700,013	4,316,596	-	-	4,700,013	4,316,596
Grants and entitlements not restricted to specific programs	5,384,675	4,916,707	-	-	5,384,675	4,916,707
Investment earnings	<u>1,051,185</u>	<u>(673,623)</u>	<u>4,653</u>	<u>193</u>	<u>1,055,838</u>	<u>(673,430)</u>
Total revenues	<u>62,358,782</u>	<u>56,686,106</u>	<u>2,874,672</u>	<u>3,037,301</u>	<u>65,233,454</u>	<u>59,723,407</u>
EXPENSES						
Instruction	34,465,687	33,063,557	-	-	34,465,687	33,063,557
Instructional student support services	3,975,008	3,487,223	-	-	3,975,008	3,487,223
Administrative and financial support services	5,387,672	5,342,548	-	-	5,387,672	5,342,548
Operation and maintenance of plant services	4,439,878	3,976,473	-	-	4,439,878	3,976,473
Pupil transportation	2,033,702	1,902,619	-	-	2,033,702	1,902,619
Student activities	1,442,727	1,359,612	-	-	1,442,727	1,359,612
Community services	6,000	6,000	-	-	6,000	6,000
Interest and amortization expense related to non-current liabilities	801,753	286,770	-	-	801,753	286,770
Food service	-	-	2,102,293	1,863,404	2,102,293	1,863,404
Child care	<u>-</u>	<u>-</u>	<u>744,734</u>	<u>387,350</u>	<u>744,734</u>	<u>387,350</u>
Total expenses	<u>52,552,427</u>	<u>49,424,802</u>	<u>2,847,027</u>	<u>2,250,754</u>	<u>55,399,454</u>	<u>51,675,556</u>
Change in net position (deficit) before transfers	9,806,355	7,261,304	27,645	786,547	9,834,000	8,047,851
Transfers	<u>(88,310)</u>	<u>(348,797)</u>	<u>88,310</u>	<u>348,797</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 9,718,045</u>	<u>\$ 6,912,507</u>	<u>\$ 115,955</u>	<u>\$ 1,135,344</u>	<u>\$ 9,834,000</u>	<u>\$ 8,047,851</u>

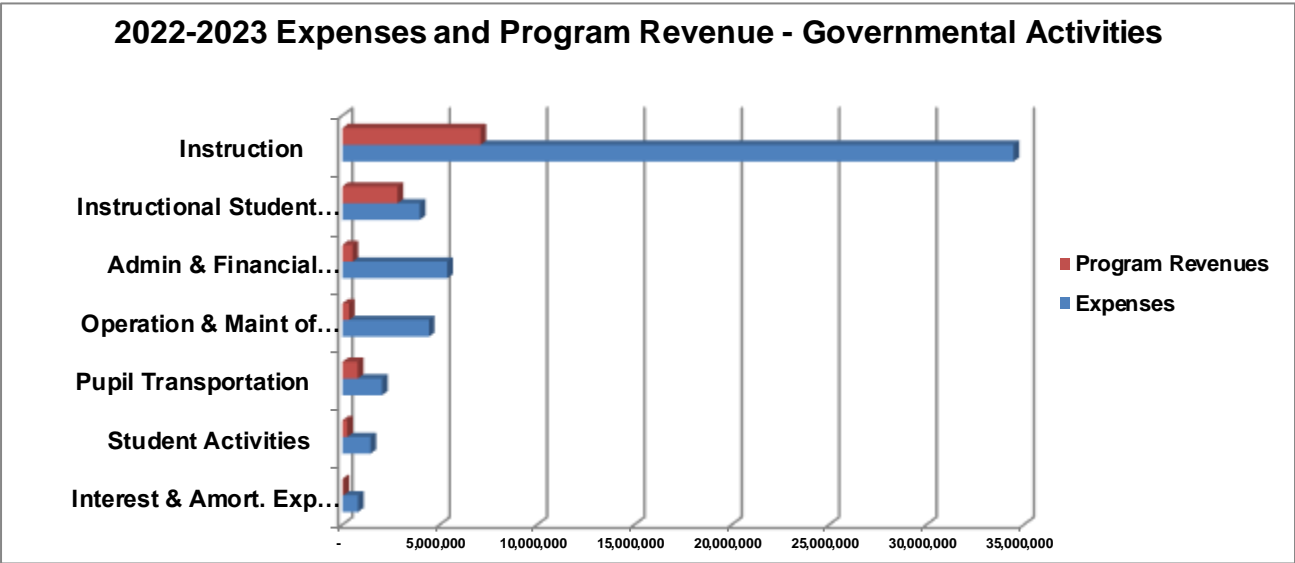
During 2022-2023, the District's net position increased by \$9,834,000 in part due to increases in state funding and savings in salaries, medical and other benefit costs, and building, department, and manager allocations. Future pension contributions, state-mandated programs and negotiated contracts have the 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 most of the revenue generated. A significant portion of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

LAMPETER-STRASBURG SCHOOL DISTRICT

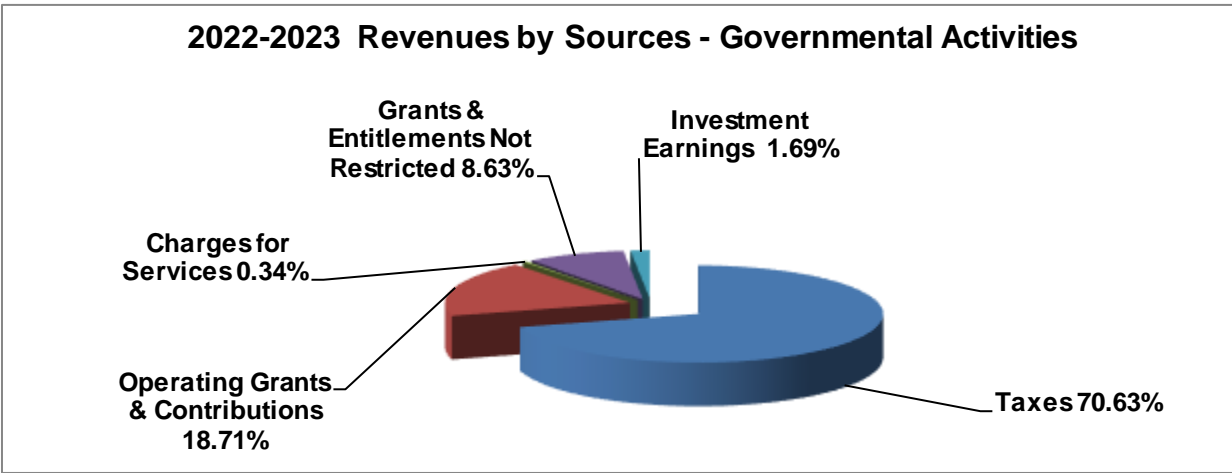
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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



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



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined fund balance of \$28,933,532 which is a decrease of \$8,087,158 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

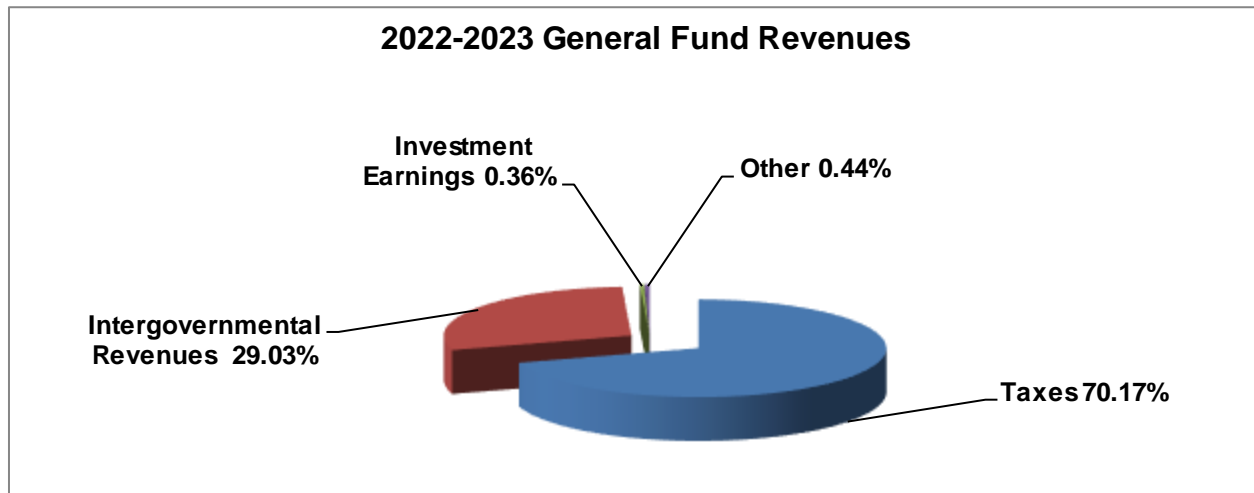
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General Fund	\$12,451,368	\$ 9,812,828	\$ 2,638,540
Capital Projects Fund	16,460,427	27,187,969	(10,727,542)
Public Purpose Trust Fund	<u>21,737</u>	<u>19,893</u>	<u>1,844</u>
	<u>\$28,933,532</u>	<u>\$37,020,690</u>	<u>\$ (8,087,158)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$12,451,368 representing an increase of \$2,638,540 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 70.17% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$43,237,321	\$41,788,253	\$1,449,068	3.47
Intergovernmental revenues	17,886,467	15,482,043	2,404,424	15.53
Investment earnings (losses)	220,100	(716,819)	936,919	130.71
Other	<u>274,106</u>	<u>120,742</u>	<u>153,364</u>	<u>127.02</u>
	<u>\$61,617,994</u>	<u>\$56,674,219</u>	<u>\$4,943,775</u>	<u>8.72</u>

Net tax revenues increased by \$1,449,068 or 3.47%, despite only a 1.9% millage increase in 2022-2023. An increase in property assessment and collection of real estate taxes, as well as continued growth of earned income tax and real estate sales accounted for the current year increase in tax revenue. The following table summarizes the changes in the District's tax revenues for 2023 compared to 2022:

LAMPETER-STRASBURG SCHOOL DISTRICT

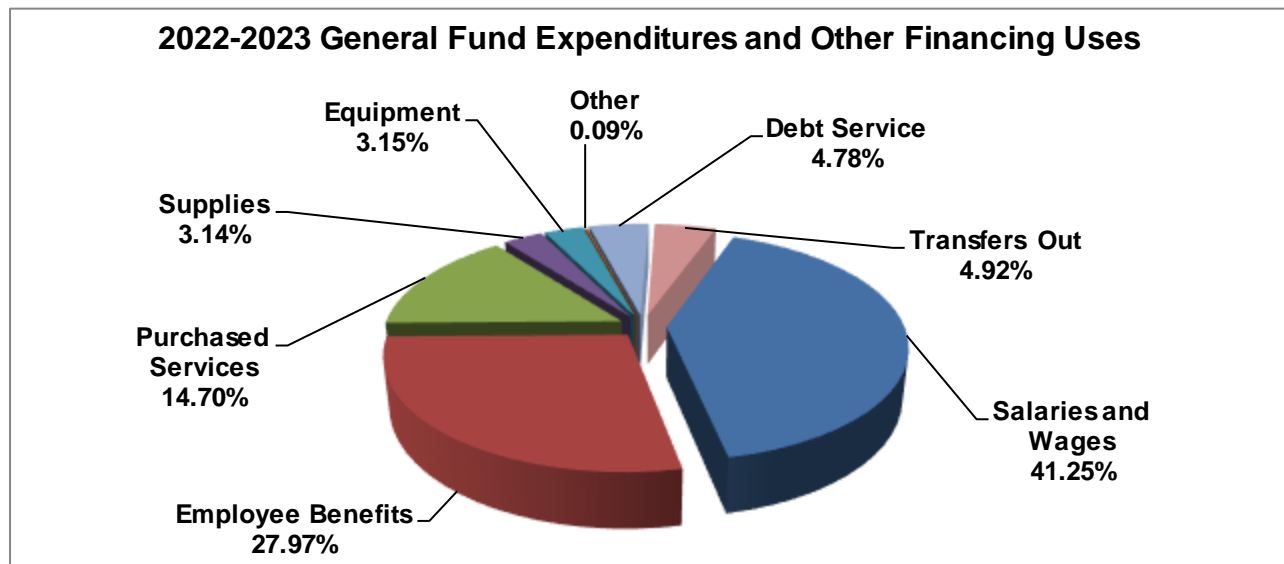
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$37,776,720	\$36,630,715	\$1,146,005	3.13
Interim tax	238,474	214,502	23,972	11.18
PURTA tax	39,291	39,753	(462)	(1.16)
Earned income tax	3,955,766	3,734,641	221,125	5.92
Transfer tax	744,247	581,954	162,293	27.89
Delinquent tax	482,823	586,688	(103,865)	(17.70)
	<u>\$43,237,321</u>	<u>\$41,788,253</u>	<u>\$1,449,068</u>	<u>3.47</u>

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

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>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$24,328,533	\$23,521,850	\$ 806,683	3.43
Employee benefits	16,496,168	15,899,129	597,039	3.76
Purchased services	8,668,552	8,105,012	563,540	6.95
Supplies and energy	1,849,539	1,993,907	(144,368)	(7.24)
Equipment	1,857,337	781,492	1,075,845	137.67
Other	54,469	52,795	1,674	3.17
Debt service	2,821,278	1,889,317	931,961	49.33
Transfers out	2,903,578	4,208,075	(1,304,497)	(31.00)
	<u>\$58,979,454</u>	<u>\$56,451,577</u>	<u>\$ 2,527,877</u>	<u>4.48</u>

Purchased services increased by \$563,540 or 6.95%. This increase is mainly attributed to additional special education program costs and additional transportation expenses.

Equipment purchases increased \$1,075,845 or 137.67% primarily due to additional governmental funding related to COVID-19 being used to purchase HVAC equipment to improve air circulation, two new vans for student transportation, custodial equipment, and replacement Chromebooks and iPads.

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Debt service increased \$931,961 or 49.33% because of repayments beginning on the 2022 bond issue.

Transfers out decreased by \$1,304,497 or 31.00% due to the additional debt service referenced above. As debt service continues to increase, the transfer to Capital Reserve will decrease.

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 2022-2023, the Capital Projects Fund reported a decrease in fund balance of \$10,727,542 primarily due to capital outlays. The remaining fund balance of \$16,460,427 as of June 30, 2023 is restricted for future capital expenditures.

GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were \$4,116,732 more than budgeted amounts and total General Fund expenditures and other financing uses were \$677,486 more than budgeted amounts resulting in a net positive variance of \$3,439,246. Major budgetary highlights for 2022-2023 were as follows:

- Total federal source revenues were over budget by \$2,026,856. This is primarily due to additional governmental funding received to help offset expenses related to the COVID-19, including salaries, benefits, transportation equipment, and technology needs.
- Total actual expenditures were over budget by \$677,486. This variance is a direct result of the increase in federal revenues, mainly an increase to equipment as referenced in the previous section.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

During 2022-2023, the net position of the business-type activities and proprietary funds increased by \$115,955. The net position of the Food Service Fund increased by \$248,168 and the net position of the School-Age Child Care Fund decreased by \$132,213. As of June 30, 2023, the business-type activities and proprietary funds had a deficit in net position of \$1,189,933 due in large part to the net pension and other post-employment benefit liabilities.

CAPITAL ASSETS

The District's net capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$54,964,745 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment and right-to-use leased equipment and subscription assets. The total increase in the District's net investment in capital assets for the current fiscal year was \$12,264,200 or 28.72%. The increase was the result of current year capital additions in excess of depreciation expense. Current year depreciation expense was \$3,341,312 and capital expenditures were \$15,605,512. The major capital additions for the current year consisted of construction in progress for the early childhood building totaling \$10,354,071 and critical capital projects totaling \$3,189,974.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$25,286,218 consisting of \$23,825,000 in bonds payable and \$1,461,218 in unamortized bond premiums. The entire amount is backed by the full faith and credit of the District. The District's general obligation debt decreased by \$2,069,010 or 7.56% during the fiscal year.

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$130,346,161 which exceeds the District's outstanding general obligation debt as of June 30, 2023. The District maintains an AA- rating from Standard and Poor's.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employees' Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$71,934,212 as of June 30, 2023. The District's net pension liability increased by \$4,724,345 or 7.03% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the total OPEB liability which totaled \$4,249,685 as of June 30, 2023. The District's net OPEB liability decreased by \$1,187,849 or 21.85% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for leases payable, subscription liabilities, and accrued retirement bonuses, which totaled \$3,727,038 as of June 30, 2023. These liabilities increased by \$36,199 or 0.98% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The implications of COVID-19 continue to impact the District in ways unimagined since early 2020. From online learning to deep cleaning efforts, staffing impacts and anticipated wide-spread financial declines, the District has seen the effects of this emergency. The Board has taken a cautious approach, trying to keep staffing levels as close to "normal" as possible. The District is data-driven and continues gathering information as we look to build future budgets. Inflationary pressure is impacting all businesses and individuals. The District is no exception, and this will need to be an area which is closely monitored. All internal groups are aware of the concerns and continue to rise to meet the challenges.

The District adopted a 2023-2024 budget totaling \$60,391,401 including a budgeted use of fund balance of \$261,091 in General Fund fund balance as of June 30, 2023, and the real estate tax millage increased to 17.9629 mills or 2.2%.

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 annually by the Pennsylvania Department of Education. The District will face pressure to keep tax increases at or well below the allowable increase for the foreseeable future.

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

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

LAMPETER-STRASBURG SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 high rates into the future are being planned for by the District through the use of an assigned fund balance integrated with millage increases. This condition has had an alarming effect on school district budgeting across the Commonwealth and has led to significant reductions in programs and services. The portion of funds assigned in the District's fund balance to be used to contain the projected increases in the employer share of PSERS will not be enough to alleviate the problem, but it will allow the District to prudently plan for any potential changes. The District is fortunate to have anticipated the looming crisis and fortunate to have assigned funds to help lessen the dramatic impact that other school districts may experience.

The Commonwealth has attempted to lessen the burden of the Public School Employees' Retirement System ("**PSERS**") and reduce benefits for individuals who become new members of PSERS. The employer contribution rate for 2023-2024 is 34.00%, which is a decrease of 3.57% from the 2022-2023 employer contribution rate of 35.26%. The employer contribution rate for 2024-2025 is projected at 34.73% and expected to continue to climb to 35.49% in 2025-2026.

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

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

Maintaining an appropriate physical environment for learning requires investment in the construction, expansion, and renovation of school facilities. This is a well-planned and ongoing process in our District, accompanied by constant monitoring of enrollment trends and financial implications for the District. The District completed a comprehensive Feasibility Study looking at every building, the educational delivery system and growth projections. This Study included many recommendations addressing campus safety, large and small renovations and a new Kindergarten/Early Childhood Center. This new building is anticipated to open for students in August 2024. The Board of School Directors approved the study but continues to monitor the economic climate and discuss options. Further details of the Study and recommendations may be found on the District website at <https://www.lspioneers.org/Departments/Buildings-And-Grounds/Feasibility-Study/>.

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

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 26,486,674	\$ 827,850	\$ 27,314,524
Investments	9,496,234	-	9,496,234
Taxes receivable	1,201,106	-	1,201,106
Due from other governments	2,684,423	6,250	2,690,673
Internal balances	(178,460)	178,460	-
Other receivables	609,545	9,270	618,815
Inventories	82,936	88,718	171,654
Prepaid expenses	18,407	14,450	32,857
Total current assets	40,400,865	1,124,998	41,525,863
NONCURRENT ASSETS			
Capital assets, net	54,729,060	235,685	54,964,745
Total assets	95,129,925	1,360,683	96,490,608
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges - pension	10,672,220	393,473	11,065,693
Deferred charges - OPEB	1,018,620	14,409	1,033,029
Deferred amounts on debt refunding	2,458	-	2,458
Total deferred outflows of resources	11,693,298	407,882	12,101,180
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	3,485,183	-	3,485,183
Accrued salaries, payroll withholdings and benefits	6,150,503	16,045	6,166,548
Due to other governments	144,287	-	144,287
Accrued interest payable	282,814	-	282,814
Unearned revenue	40,956	67,605	108,561
Total current liabilities	10,103,743	83,650	10,187,393
NONCURRENT LIABILITIES			
Due within one year	2,415,357	-	2,415,357
Due in more than one year	100,117,207	2,664,589	102,781,796
Total noncurrent liabilities	102,532,564	2,664,589	105,197,153
Total liabilities	112,636,307	2,748,239	115,384,546
DEFERRED INFLOWS OF RESOURCES			
Deferred credits - pension	2,848,962	105,038	2,954,000
Deferred credits - OPEB	2,234,873	105,221	2,340,094
Total deferred outflows of resources	5,083,835	210,259	5,294,094
NET POSITION (DEFICIT)			
Net investment in capital assets	40,692,959	235,685	40,928,644
Restricted	4,852,014	-	4,852,014
Unrestricted (deficit)	(56,441,892)	(1,425,618)	(57,867,510)
Total net position (deficit)	\$ (10,896,919)	\$ (1,189,933)	\$ (12,086,852)

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Expenses						
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 34,465,687	\$ 35,197	\$ 7,056,847	\$ -	\$ (27,373,643)	\$ -	\$ (27,373,643)
Instructional student support	3,975,008	-	2,831,415	-	(1,143,593)	-	(1,143,593)
Administrative and financial support services	5,387,672	-	521,493	-	(4,866,179)	-	(4,866,179)
Operation and maintenance of plant services	4,439,878	32,777	308,919	-	(4,098,182)	-	(4,098,182)
Pupil transportation	2,033,702	-	782,881	-	(1,250,821)	-	(1,250,821)
Student activities	1,442,727	144,383	105,399	-	(1,192,945)	-	(1,192,945)
Community services	6,000	-	-	-	(6,000)	-	(6,000)
Interest and amortization expense related to noncurrent liabilities	801,753	-	60,224	-	(741,529)	-	(741,529)
Total governmental activities	<u>52,552,427</u>	<u>212,357</u>	<u>11,667,178</u>	<u>-</u>	<u>(40,672,892)</u>	<u>-</u>	<u>(40,672,892)</u>
BUSINESS-TYPE ACTIVITIES							
Food service	2,102,293	969,850	1,292,216	-	-	159,773	159,773
Child care	744,734	540,987	66,966	-	-	(136,781)	(136,781)
Total business-type activities	<u>2,847,027</u>	<u>1,510,837</u>	<u>1,359,182</u>	<u>-</u>	<u>-</u>	<u>22,992</u>	<u>22,992</u>
Total primary government	<u>\$ 55,399,454</u>	<u>\$ 1,723,194</u>	<u>\$ 13,026,360</u>	<u>\$ -</u>	<u>(40,672,892)</u>	<u>22,992</u>	<u>(40,649,900)</u>
GENERAL REVENUES							
Property taxes levied for general purposes					39,343,374	-	39,343,374
Other taxes levied for general purposes					4,700,013	-	4,700,013
Grants and entitlements not restricted to specific programs					5,384,675	-	5,384,675
Investment earnings (losses)					1,051,185	4,653	1,055,838
TRANSFERS					<u>(88,310)</u>	<u>88,310</u>	<u>-</u>
Total general revenues and transfers					<u>50,390,937</u>	<u>92,963</u>	<u>50,483,900</u>
CHANGE IN NET POSITION (DEFICIT)					9,718,045	115,955	9,834,000
NET POSITION (DEFICIT)							
Beginning of year, restated					<u>(20,614,964)</u>	<u>(1,305,888)</u>	<u>(21,920,852)</u>
End of year					<u>\$ (10,896,919)</u>	<u>\$ (1,189,933)</u>	<u>\$ (12,086,852)</u>

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	Major Funds			
	General Fund	Capital Projects Fund	Public Purpose Trust	Total
ASSETS				
Cash and cash equivalents	\$ 6,742,307	\$ 18,340,104	\$ 21,737	\$ 25,104,148
Investments	8,427,883	354,144	-	8,782,027
Taxes receivable, net	1,201,106	-	-	1,201,106
Due from other funds	573,984	-	-	573,984
Due from other governments	2,684,423	-	-	2,684,423
Other receivables	35,561	-	-	35,561
Inventories	82,936	-	-	82,936
Prepaid expenditures	81,541	-	-	81,541
Total assets	\$ 19,829,741	\$ 18,694,248	\$ 21,737	\$ 38,545,726
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 567,469	\$ 2,233,821	\$ -	\$ 2,801,290
Due to other funds	178,460	-	-	178,460
Accrued salaries, payroll withholdings and benefits	6,150,503	-	-	6,150,503
Due to other governments	144,287	-	-	144,287
Unearned revenue	57,875	-	-	57,875
Total liabilities	7,098,594	2,233,821	-	9,332,415
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property and per capita taxes	279,779	-	-	279,779
FUND BALANCES				
Nonspendable				
Inventories	82,936	-	-	82,936
Prepaid expenditures	81,541	-	-	81,541
Restricted for				
Capital projects	-	16,460,427	-	16,460,427
Student organizations	-	-	21,737	21,737
Assigned to				
Employer retirement rate stabilization	1,111,500	-	-	1,111,500
Property tax assessment appeals	171,710	-	-	171,710
Technology initiatives	32,005	-	-	32,005
Capital projects	5,922,643	-	-	5,922,643
Unassigned	5,049,033	-	-	5,049,033
Total fund balances	12,451,368	16,460,427	21,737	28,933,532
Total liabilities, deferred inflows of resources and fund balances	\$ 19,829,741	\$ 18,694,248	\$ 21,737	\$ 38,545,726

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

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

June 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 28,933,532
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	54,665,926
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	2,458
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.	6,607,005
Some of the District's property taxes and certain other receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	296,698
The Internal Service Fund is used by management to charge the cost of health insurance claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	1,412,840
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(102,532,564)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(282,814)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (10,896,919)</u>

LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30, 2023

	Major Funds			Total
	General Fund	Capital Projects Fund	Public Purpose Trust	
REVENUES				
Local sources	\$ 43,937,026	\$ 784,908	\$ 2,886	\$ 44,724,820
State sources	13,840,025	-	-	13,840,025
Federal sources	3,720,269	-	-	3,720,269
Total revenues	<u>61,497,320</u>	<u>784,908</u>	<u>2,886</u>	<u>62,285,114</u>
EXPENDITURES				
Current				
Instruction	34,672,685	-	-	34,672,685
Support services	16,599,428	4,627	-	16,604,055
Operation of noninstructional services	1,159,998	-	1,042	1,161,040
Facilities acquisition, construction and improvement services	822,487	14,323,091	-	15,145,578
Debt service	2,821,278	-	-	2,821,278
Total expenditures	<u>56,075,876</u>	<u>14,327,718</u>	<u>1,042</u>	<u>70,404,636</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,421,444</u>	<u>(13,542,810)</u>	<u>1,844</u>	<u>(8,119,522)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from other right to use arrangements	112,771	-	-	112,771
Proceeds from sale of capital assets	7,903	-	-	7,903
Transfers in	-	2,903,578	-	2,903,578
Transfers out	(2,903,578)	(88,310)	-	(2,991,888)
Total other financing sources (uses)	<u>(2,782,904)</u>	<u>2,815,268</u>	<u>-</u>	<u>32,364</u>
NET CHANGE IN FUND BALANCES	<u>2,638,540</u>	<u>(10,727,542)</u>	<u>1,844</u>	<u>(8,087,158)</u>
FUND BALANCES				
Beginning of year	<u>9,812,828</u>	<u>27,187,969</u>	<u>19,893</u>	<u>37,020,690</u>
End of year	<u>\$ 12,451,368</u>	<u>\$ 16,460,427</u>	<u>\$ 21,737</u>	<u>\$ 28,933,532</u>

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (8,087,158)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay expenditures	\$ 15,447,955	
Depreciation and amortization expense	<u>(3,308,858)</u>	12,139,097

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

Deferred inflows of resources June 30, 2022	(277,110)	
Deferred inflows of resources June 30, 2023	<u>296,698</u>	19,588

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

(282,329)

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	1,960,000	
Repayment of leases payable	268,860	
Proceeds from other right to use arrangements	(112,771)	
Repayment of other right to use arrangements	97,427	
Amortization of premiums and deferred amounts on refunding	<u>107,807</u>	2,321,323

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	(181,051)	
Change in net pension liability and related deferred inflows and outflows	4,116,819	
Current year change in accrued retirement bonuses	(284,280)	
Change in net OPEB liability and related deferred inflows and outflows	<u>(43,964)</u>	3,607,524

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u>\$ 9,718,045</u>
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See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2023

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 482,347	\$ 345,503	\$ 827,850	\$ 1,382,526
Investments	-	-	-	714,207
Due from other governments	6,250	-	6,250	-
Due from other funds	123,451	55,009	178,460	-
Other receivables	9,270	-	9,270	573,984
Inventories	88,718	-	88,718	-
Prepaid expenses	14,450	-	14,450	-
Total current assets	<u>724,486</u>	<u>400,512</u>	<u>1,124,998</u>	<u>2,670,717</u>
NONCURRENT ASSETS				
Capital assets, net	235,685	-	235,685	-
Total assets	<u>960,171</u>	<u>400,512</u>	<u>1,360,683</u>	<u>2,670,717</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pension	255,524	137,949	393,473	-
Deferred charges - OPEB	(479)	14,888	14,409	-
Total deferred outflows of resources	<u>255,045</u>	<u>152,837</u>	<u>407,882</u>	<u>-</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 683,893
Due to other funds	-	-	-	573,984
Accrued salaries, payroll withholdings and benefits	16,045	-	16,045	-
Unearned revenue	67,605	-	67,605	-
Total current liabilities	<u>83,650</u>	<u>-</u>	<u>83,650</u>	<u>1,257,877</u>
NONCURRENT LIABILITIES				
Due within one year	-	-	-	-
Due in more than one year	1,717,860	946,729	2,664,589	-
Total noncurrent liabilities	<u>1,717,860</u>	<u>946,729</u>	<u>2,664,589</u>	<u>-</u>
Total liabilities	<u>1,801,510</u>	<u>946,729</u>	<u>2,748,239</u>	<u>1,257,877</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charges - pension	68,213	36,825	105,038	-
Deferred charges - OPEB	88,879	16,342	105,221	-
Total deferred inflows of resources	<u>157,092</u>	<u>53,167</u>	<u>210,259</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	235,685	-	235,685	-
Unrestricted (deficit)	(979,071)	(446,547)	(1,425,618)	1,412,840
Total net position (deficit)	<u>\$ (743,386)</u>	<u>\$ (446,547)</u>	<u>\$ (1,189,933)</u>	<u>\$ 1,412,840</u>

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30, 2023

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 969,850	\$ 540,987	\$ 1,510,837	\$ 6,371,010
OPERATING EXPENSES				
Salaries	623,777	343,614	967,391	-
Employee benefits	307,916	354,900	662,816	6,699,516
Purchased professional and technical services	55,016	2,133	57,149	-
Supplies	1,083,130	44,087	1,127,217	-
Depreciation	32,454	-	32,454	-
Total operating expenses	<u>2,102,293</u>	<u>744,734</u>	<u>2,847,027</u>	<u>6,699,516</u>
Operating income (loss)	<u>(1,132,443)</u>	<u>(203,747)</u>	<u>(1,336,190)</u>	<u>(328,506)</u>
NONOPERATING REVENUES				
Earnings on investments	85	4,568	4,653	46,177
State sources	344,774	66,966	411,740	-
Federal sources	947,442	-	947,442	-
Total nonoperating revenues	<u>1,292,301</u>	<u>71,534</u>	<u>1,363,835</u>	<u>46,177</u>
CHANGE IN NET POSITION (DEFICIT) BEFORE TRANSFERS	159,858	(132,213)	27,645	(282,329)
TRANSFERS IN	<u>88,310</u>	<u>-</u>	<u>88,310</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	248,168	(132,213)	115,955	(282,329)
NET POSITION (DEFICIT)				
Beginning of year	<u>(991,554)</u>	<u>(314,334)</u>	<u>(1,305,888)</u>	<u>1,695,169</u>
End of year	<u>\$ (743,386)</u>	<u>\$ (446,547)</u>	<u>\$ (1,189,933)</u>	<u>\$ 1,412,840</u>

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023

	Major Funds			
	Food Service Fund	School-Age Child Care Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 928,867	\$ 522,605	\$ 1,451,472	\$ -
Cash received from assessments made to other funds	-	-	-	6,371,010
Cash payments to employees for services	(1,013,979)	(555,232)	(1,569,211)	-
Cash payments for insurance claims	-	-	-	(6,371,010)
Cash payments to supplies for goods and services	(976,771)	(46,220)	(1,022,991)	-
Net cash used for operating activities	(1,061,883)	(78,847)	(1,140,730)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	346,383	66,966	413,349	-
Federal sources	853,792	-	853,792	-
Net cash provided by noncapital financing activities	1,200,175	66,966	1,267,141	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(94,423)	-	(94,423)	-
Transfers in	88,310	-	88,310	-
Net cash used for capital and related financing activities	(6,113)	-	(6,113)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	85	4,568	4,653	46,177
Net sale of investments	-	111,938	111,938	576,420
Net cash provided by investing activities	85	116,506	116,591	622,597
Net increase in cash	132,264	104,625	236,889	622,597
CASH				
Beginning of year	350,083	240,878	590,961	759,929
Ending of year	\$ 482,347	\$ 345,503	\$ 827,850	\$ 1,382,526
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,132,443)	\$ (203,747)	\$ (1,336,190)	\$ (328,506)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	32,454	-	32,454	-
Donated commodities used	143,554	-	143,554	-
(Increase) decrease in				
Due from other governments	(6,250)	-	(6,250)	-
Due from other funds	(5,766)	(18,382)	(24,148)	-
Other receivables	(9,270)	-	(9,270.00)	(469,551)
Inventories	24,071	-	24,071	-
Prepaid expenses	(14,450)	-	(14,450)	-
Increase (decrease) in				
Accounts payable	-	-	-	328,506
Due to other funds	(417)	(1,754)	(2,171)	469,551
Accrued salaries, payroll withholdings and benefits	(1,174)	-	(1,174)	-
Unearned revenue	(11,497)	-	(11,497)	-
Noncurrent liabilities and deferred charges and credits	(80,695)	145,036	64,341	-
Net cash used for operating activities	\$ (1,061,883)	\$ (78,847)	\$ (1,140,730)	\$ -
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 143,554	\$ -	\$ 143,554	\$ -

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2023

	<u>Private- Purpose Trust</u>	<u>Custodial Funds</u>
ASSETS		
Cash and cash equivalents	\$ 182,211	\$ 180,898
Accounts receivable	<u>-</u>	<u>560</u>
Total assets	<u>182,211</u>	<u>181,458</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>26,062</u>
NET POSITION		
Restricted for student activities	-	155,396
Net position held in trust for scholarships	<u>182,211</u>	<u>-</u>
Total net position	<u>\$ 182,211</u>	<u>\$ 155,396</u>

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023

	Private- Purpose Trust	Custodial Funds
ADDITIONS		
Receipts from student groups	\$ -	\$ 320,550
Local contributions	26,275	-
Investment earnings	<u>3,355</u>	<u>11</u>
Total additions	<u>29,630</u>	<u>320,561</u>
DEDUCTIONS		
Student activity disbursements	-	291,556
Scholarships awarded and fees paid	<u>33,831</u>	<u>-</u>
Total deductions	<u>33,831</u>	<u>291,556</u>
CHANGE IN NET POSITION	(4,201)	29,005
NET POSITION		
Beginning of year	<u>186,412</u>	<u>126,391</u>
End of year	<u>\$ 182,211</u>	<u>\$ 155,396</u>

See accompanying notes

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Revenue Recognition

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

Expenditure Recognition

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets 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 government units and are, therefore, not available to support the District's own programs. The District has one custodial fund consisting of funds held on behalf of the students.

Cash and Cash Equivalents

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

Investments

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

Fair Value Measurements of Assets and Liabilities

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

The fair value hierarchy is categorized into three levels based on the inputs as follows:

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

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

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

Interfund Receivables and Payables

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

Property Taxes

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

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

The County Board of Assessments determines assessed valuations of property and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2022-2023 was 17.5762 mills (\$17.58 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. The District has no property taxes receivable greater than 3 years old.

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

Installment One	- September 30
Installment Two	- November 15
Installment Three	- December 31

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

Unearned Revenues

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

Prepaid Items and Inventories

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

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Capital Assets

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

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

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

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

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2023.

Long-Term Obligations

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

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

Fund Equity

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

Non-spendable

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2022, the District adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*".

The objective of GASB Statement No. 94 is to improve 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

The objective of GASB Statement No. 96 is to provide 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. As a result of the implementation of Statement No. 96, the District recognized its right-to-use subscription assets and corresponding subscription liabilities for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the District for the year ended June 30, 2024. This Statement provides guidance on the accounting and financial reporting requirements for accounting changes and error corrections.

GASB Statement No. 101, "*Compensated Absences*" will be effective for the District for the year ended June 30, 2025. This Statement updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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.

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, the carrying amount of the District's deposits was \$27,677,633 and the bank balance was \$28,164,211. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$500,000 was covered by federal depository insurance and \$11,337,080 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2023, PSDLAF was rated as AAAM by a nationally recognized statistical rating agency.

Investments

As of June 30, 2023, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
U.S. Treasury and agency securities	<u>\$9,496,234</u>	<u>\$1,068,351</u>	<u>\$6,786,743</u>	<u>\$1,641,140</u>	<u>\$</u>

U.S. Treasury and agency securities 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, 2023.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District was subject to interest rate risk to the extent interest rate changes impact the District's investments.

Credit Risk

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

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$ 6,159,900	\$ -	\$ -	\$ 6,159,900
Construction in progress	<u>1,530,509</u>	<u>14,453,313</u>	<u>-</u>	<u>15,983,822</u>
Total capital assets not being depreciated	<u>7,690,409</u>	<u>14,453,313</u>	<u>-</u>	<u>22,143,722</u>
Capital assets being depreciated				
Buildings and improvements	89,022,906	-	-	89,022,906
Furniture and equipment	4,948,160	866,088	265,948	5,548,300
Right-to-use leased equipment	179,290	-	-	179,290
Right-to-use subscription assets	<u>381,209</u>	<u>191,688</u>	<u>-</u>	<u>572,897</u>
Total capital assets being depreciated	<u>94,531,565</u>	<u>1,057,776</u>	<u>265,948</u>	<u>95,323,393</u>
Less accumulated depreciation for				
Buildings and improvements	(56,179,186)	(2,659,396)	-	(58,838,582)
Furniture and equipment	(3,275,735)	(490,812)	(265,948)	(3,500,599)
Right-to-use leased equipment	(53,787)	(35,858)	-	(89,645)
Right-to-use subscription assets	<u>(186,437)</u>	<u>(122,792)</u>	<u>-</u>	<u>(309,229)</u>
Total accumulated depreciation	<u>(59,695,145)</u>	<u>(3,308,858)</u>	<u>(265,948)</u>	<u>(62,738,055)</u>
Total capital assets being depreciated, net	<u>34,836,420</u>	<u>(2,251,082)</u>	<u>-</u>	<u>32,585,338</u>
Governmental activities, net	<u>\$ 42,526,829</u>	<u>\$12,202,231</u>	<u>\$ -</u>	<u>\$ 54,729,060</u>
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	666,548	94,423	-	760,971
Less accumulated depreciation				
Machinery and equipment	<u>(492,832)</u>	<u>(32,454)</u>	<u>-</u>	<u>(525,286)</u>
Business-type activities, net	<u>\$ 173,716</u>	<u>\$ 61,969</u>	<u>\$ -</u>	<u>\$ 235,685</u>

Depreciation and amortization expense were charged to functions/programs of the District as follows:

Governmental activities	
Instruction	\$2,326,559
Administrative and financial support services	393,551
Operation and maintenance of plant services	172,477
Pupil transportation	54,772
Student activities	<u>361,499</u>
Total depreciation expense – governmental activities	<u>\$3,308,858</u>
Business-type activities	
Food service	<u>\$ 32,454</u>

As of June 30, 2023, the District had outstanding construction commitments for its early childhood building and other critical capital projects in the amount of \$15,447,679.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
School-Age Child Care Fund	\$ 55,009	General Fund	\$ 55,009
General Fund	573,984	Internal Service Fund	573,984
Food Service Fund	<u>123,451</u>	General Fund	<u>123,451</u>
	<u>\$752,444</u>		<u>\$752,444</u>

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service Fund	\$ 88,310	Capital Projects Fund	\$ 88,310
Capital Projects Fund	<u>2,903,578</u>	General Fund	<u>2,903,578</u>
	<u>\$2,991,888</u>		<u>\$2,991,888</u>

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

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 25,785,000	\$ -	\$1,960,000	\$ 23,825,000	\$1,990,000
Bond premiums	<u>1,570,228</u>	<u>-</u>	<u>109,010</u>	<u>1,461,218</u>	<u>141,642</u>
Total general obligation debt	<u>27,355,228</u>	<u>-</u>	<u>2,069,010</u>	<u>25,286,218</u>	<u>2,131,642</u>
Other noncurrent liabilities					
Leases payable	588,217	-	268,860	319,357	161,697
Subscriptions payable	211,742	112,771	97,427	227,086	122,018
Accrued retirement bonuses	2,866,809	284,280	-	3,151,089	-
OPEB liability	1,537,817	128,914	407,413	1,259,318	-
Net OPEB liability – PSERS	3,797,112	-	883,998	2,913,114	-
Net pension liability – PSERS	<u>65,017,023</u>	<u>4,359,359</u>	<u>-</u>	<u>69,376,382</u>	<u>-</u>
Total other noncurrent liabilities	<u>74,018,720</u>	<u>4,885,324</u>	<u>1,657,698</u>	<u>77,246,346</u>	<u>283,715</u>
Total governmental activities	<u>101,373,948</u>	<u>4,885,324</u>	<u>3,726,708</u>	<u>102,532,564</u>	<u>2,415,357</u>
Business-type activities					
Accrued retirement bonuses	24,071	5,435	-	29,506	-
OPEB liability	15,151	3,732	8,724	10,159	-
Net OPEB liability – PSERS	87,454	-	20,360	67,094	-
Net pension liability – PSERS	<u>2,192,844</u>	<u>364,986</u>	<u>-</u>	<u>2,557,830</u>	<u>-</u>
Total business-type activities	<u>2,319,520</u>	<u>374,153</u>	<u>29,084</u>	<u>2,664,589</u>	<u>-</u>
Total noncurrent liabilities	<u>\$103,693,468</u>	<u>\$5,259,477</u>	<u>\$3,755,792</u>	<u>\$105,197,153</u>	<u>\$2,415,357</u>

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

(7) GENERAL OBLIGATION DEBT

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

General obligation debt outstanding as of June 30, 2023 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2017	2.41%	\$ 7,555,000	03/01/2027	\$ 2,370,000
Series of 2021	1.332%	\$ 9,250,000	03/01/2028	7,850,000
Series of 2022	3.00% - 5.00%	\$13,610,000	03/01/2037	13,605,000
Total general obligation bonds				<u>\$23,825,000</u>

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2024	\$ 1,990,000	\$ 841,429	\$ 2,831,429
2025	2,025,000	808,640	2,833,640
2026	2,055,000	775,278	2,830,278
2027	2,090,000	741,354	2,831,354
2028	2,085,000	706,856	2,791,856
2029-2033	6,805,000	2,747,500	9,552,500
2034-2037	<u>6,775,000</u>	<u>867,750</u>	<u>7,642,750</u>
	<u>\$23,825,000</u>	<u>\$7,488,807</u>	<u>\$31,313,807</u>

(8) LEASES PAYABLE

The District has entered into long-term lease agreements for vehicles and equipment. Initial lease liabilities were recorded in the amount of \$803,509. As of June 30, 2023, the value of the lease liabilities is \$319,357. The leases have interest rates between 2.70% and 4.96%. The vehicle and equipment's estimated useful lives were 4 to 5 years as of their contract commencements. The value of the vehicles, equipment, and intangible right-to-use assets as of June 30, 2023 is \$314,507, net of accumulated depreciation and amortization of \$489,002, and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2024	\$170,267
2025	125,226
2026	37,009
Less: amount representing interest	<u>(13,145)</u>
Present value of minimum lease payments	<u>\$319,357</u>

(9) SUBSCRIPTIONS PAYABLE

The District has entered into long-term lease agreements for subscription-based information technology arrangements. Initial subscription liabilities were recorded in the amount of \$493,980. As of June 30, 2023, the value of the subscription liabilities is \$227,086. The subscriptions have interest rates between 0.08% and 5.08%. The subscriptions' estimated useful lives were 3 to 5 years as of their contract commencements. The value of the intangible right-to-use subscription assets as of June 30, 2023 is \$263,668, net of accumulated amortization of \$309,229, and is included with noncurrent assets on the statement of net position (deficit).

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2024	\$128,625
2025	73,677
2026	36,308
Less: amount representing interest	<u>(11,524)</u>
Present value of minimum lease payments	<u>\$227,086</u>

(10) ACCRUED RETIREMENT BONUSES

Upon voluntary retirement, a professional employee with qualifying years of service according to either the collective bargaining agreement or administrator agreement will receive a lump sum retirement bonus. A summary of the amount recorded as a liability for these accrued retirement bonuses is as follows for June 30, 2023:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued retirement benefit	\$2,291,329	\$20,726
Accumulated sick day payout	<u>859,760</u>	<u>8,780</u>
	<u>\$3,151,089</u>	<u>\$29,506</u>

(11) PENSION PLAN

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

Plan Description

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

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.

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.00% 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.

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

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,475,693 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$71,934,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.1618 percent, which was a decrease of 0.0019 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized net pension expense of \$4,384,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 33,000	\$ 622,000
Changes in assumptions	2,148,000	-
Net difference between projected and actual investment earnings	-	1,221,000
Changes in proportions	409,000	1,111,000
Contributions subsequent to the measurement date	8,475,693	-
	<u>\$11,065,693</u>	<u>\$2,954,000</u>

\$8,475,693 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2024	\$ (216,000)
2025	242,000
2026	(2,093,000)
2027	1,703,000
	<u>\$ (364,000)</u>

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are 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 actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0 %	5.3%
Private equity	12.0 %	8.0%
Fixed income	33.0 %	2.3%
Commodities	9.0 %	2.3%
Infrastructure/MLPs	9.0 %	5.4%
Real estate	11.0 %	4.6%
Absolute return	6.0 %	3.5%
Cash	3.0 %	0.5%
Leverage	(11.0)%	0.5%
	<u>100.0 %</u>	

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2022.

Discount Rate

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

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

The following 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:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$93,041,983</u>	<u>\$71,934,212</u>	<u>\$54,137,806</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 PSERS' website at www.psers.state.pa.us.

(12) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

OPEB Plan Membership

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

Active participants	358
Vested former participants	-
Retired participants	<u>15</u>
Total	<u>373</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.

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and by rolling forward the liabilities from the July 1, 2021 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 \$1,269,477, all of which is unfunded. As of June 30, 2023, the OPEB liability of \$1,259,318 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$10,159 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit). The District's change in its OPEB liability for the year ended June 30, 2023 was as follows:

Balances as of July 1, 2022	<u>\$1,552,968</u>
Changes for the year:	
Service cost	95,962
Interest on total OPEB liability	36,684
Changes of assumptions	(342,302)
Benefit payments	<u>(73,835)</u>
Net changes	<u>(283,491)</u>
Balances as of June 30, 2023	<u>\$1,269,477</u>

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

For the year ended June 30, 2023, the District recognized net OPEB expense of \$229,416. At June 30, 2023, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 26,025	\$1,201,123
Changes in assumptions	346,124	315,971
Benefit payments subsequent to measurement date	<u>73,679</u>	<u>-</u>
	<u>\$445,828</u>	<u>\$1,517,094</u>

\$73,679 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, 2024. 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,

2024	\$ 96,770
2025	(45,621)
2026	(142,929)
2027	(142,929)
2028	(142,929)
Thereafter	<u>(767,307)</u>
	<u>\$(1,144,945)</u>

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

The following presents the OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$1,158,382</u>	<u>\$1,269,477</u>	<u>\$1,398,907</u>

The following presents the net OPEB liability of the District calculated using the discount rate of 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

Sensitivity of the OPEB Liability to Changes in the Discount Rate

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.06%</u>	<u>4.06%</u>	<u>5.06%</u>
OPEB Liability	<u>\$1,353,283</u>	<u>\$1,269,477</u>	<u>\$1,189,277</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB liability as of July 1, 2021 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal.
- Discount rate – 4.06% - 20-year high-grade municipal rate index; previously rate of 2.28% was assumed
- Salary growth – 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies from 2.75 to 0%
- Assumed healthcare cost trends – 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024-2025; rates gradually decrease from 5.4% in 2026 to 3.9% in 2075.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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, 2022, there were no assumed future benefit increases to participating eligible retirees.

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

For Class DC members to become eligible for health insurance premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$184,201 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,980,208 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.1619 percent, which was a decrease of 0.0020 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$76,000. At June 30, 2023, 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>
Difference between expected and actual experience	\$ 27,000	\$ 16,000
Changes in assumptions	331,000	704,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportions	37,000	103,000
Contributions subsequent to the measurement date	<u>184,201</u>	<u>-</u>
	<u>\$587,201</u>	<u>\$823,000</u>

\$184,201 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Year ended June 30,

2024	\$ (87,000)
2025	(72,000)
2026	(82,000)
2027	(89,000)
2028	<u>(90,000)</u>
	<u><u>\$(420,000)</u></u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.09% – Standard & Poors 20-year municipal bond rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- 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.

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.

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.00%</u>	0.50%

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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2022, was applied to all projected benefit payments to measure the total 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, 2022, 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, 2022, 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>\$2,979,905</u>	<u>\$2,980,208</u>	<u>\$2,980,451</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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	<u>\$3,370,258</u>	<u>\$2,980,208</u>	<u>\$2,653,819</u>

OPEB Plan Fiduciary Net Position

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(13) 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 2022-2023 was \$617,139.

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 2022-2023 was \$90,416.

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

Year ending June 30,

2024	\$ 67,170
2025	67,345
2026	67,697
2027	67,236
2028	66,834
2029-2033	331,352
2034-2037	<u>263,991</u>
	<u>\$931,625</u>

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 2022-2023, the District contracted with the LLIU for special education services which totaled \$1,866,273.

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 2022-2023, the District did not have any financial transactions with the Authority.

Lancaster County Tax Collection Bureau

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the "**Bureau**") for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The Bureau's operating expenditures are deducted from each members earned income tax distributions. During 2022-2023, the District's portion of operating expenditures for the Bureau totaled \$54,483.

(14) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(15) RISK MANAGEMENT

Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District was limited in liability to \$450,000 per individual and \$6,994,329 in total for self-insurance medical claims for the year ended June 30, 2023. The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2023 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance claims liability – beginning of year	\$ 355,387	\$ 484,408
Current year insurance claims and changes in estimates	6,699,516	5,090,293
Insurance claims paid	<u>(6,371,010)</u>	<u>(5,219,314)</u>
Insurance claims liability – end of year	<u>\$ 683,893</u>	<u>\$ 355,387</u>

Workers' Compensation

The District, participating member school districts from Pennsylvania and the LLIU participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the "**Fund**"), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2023, the District is not aware of any additional assessments relating to this Fund.

Other Risks

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

(16) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 96, the District made a prior period adjustment to record its subscription liability and right-to-use subscription assets related to subscription agreements.

These prior period adjustments and its effect on net position at July 1, 2022 was an increase in net capital assets of \$194,772 and an increase in subscription liabilities of \$211,742.

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAMPETER-STRASBURG SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 42,533,136	\$ 42,533,136	\$ 43,937,026	\$ 1,403,890
State sources	13,274,713	13,274,713	13,840,025	565,312
Federal sources	1,693,413	1,693,413	3,720,269	2,026,856
Total revenues	<u>57,501,262</u>	<u>57,501,262</u>	<u>61,497,320</u>	<u>3,996,058</u>
EXPENDITURES				
Instruction				
Regular programs	24,762,129	24,762,129	23,530,787	1,231,342
Special programs	9,400,781	9,400,781	9,518,312	(117,531)
Vocational programs	961,700	961,700	993,514	(31,814)
Other instructional programs	349,593	349,593	575,755	(226,162)
Nonpublic school programs	-	-	54,317	(54,317)
Total instruction	<u>35,474,203</u>	<u>35,474,203</u>	<u>34,672,685</u>	<u>801,518</u>
Support services				
Pupil support services	2,365,545	2,365,545	2,508,529	(142,984)
Instructional staff services	1,118,450	1,118,450	1,052,553	65,897
Administrative services	3,193,548	3,193,548	3,032,399	161,149
Pupil health	633,118	633,118	676,320	(43,202)
Business services	593,201	593,201	542,174	51,027
Operation and maintenance of plant services	4,120,946	4,120,946	4,531,652	(410,706)
Student transportation services	1,958,664	1,958,664	2,130,004	(171,340)
Support services - central	1,593,520	1,593,520	2,099,312	(505,792)
Other support services	27,400	27,400	26,485	915
Total support services	<u>15,604,392</u>	<u>15,604,392</u>	<u>16,599,428</u>	<u>(995,036)</u>
Operation of noninstructional services				
Student activities	1,155,143	1,155,143	1,152,248	2,895
Community services	6,000	6,000	6,000	-
Scholarship and awards	1,750	1,750	1,750	-
Total operation of noninstructional services	<u>1,162,893</u>	<u>1,162,893</u>	<u>1,159,998</u>	<u>2,895</u>
Facilities acquisition, construction and improvement services	<u>-</u>	<u>-</u>	<u>822,487</u>	<u>(822,487)</u>
Debt service	<u>2,148,757</u>	<u>2,148,757</u>	<u>2,821,278</u>	<u>(672,521)</u>
Total expenditures	<u>54,390,245</u>	<u>54,390,245</u>	<u>56,075,876</u>	<u>(1,685,631)</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>3,111,017</u>	<u>3,111,017</u>	<u>5,421,444</u>	<u>2,310,427</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,431,723)	(3,431,723)	(2,903,578)	528,145
Proceeds from other right to use arrangements	-	-	112,771	112,771
Proceeds from sale of capital assets	-	-	7,903	7,903
Budgetary reserve	(480,000)	(480,000)	-	480,000
Total other financing sources (uses)	<u>(3,911,723)</u>	<u>(3,911,723)</u>	<u>(2,782,904)</u>	<u>1,128,819</u>
NET CHANGE IN FUND BALANCE	<u>\$ (800,706)</u>	<u>\$ (800,706)</u>	<u>2,638,540</u>	<u>\$ 3,439,246</u>
FUND BALANCE				
Beginning of year			9,812,828	
End of year			<u>\$ 12,451,368</u>	

LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date								
	<u>2022</u>	<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	0.1618%	0.1637%	0.1620%	0.1658%	0.1677%	0.1687%	0.1654%	0.1627%	0.1586%
District's proportionate share of the net pension liability	\$ 71,934,212	\$ 67,209,867	\$ 79,767,206	\$ 77,565,564	\$ 80,504,000	\$ 83,318,000	\$ 81,967,000	\$ 70,474,000	\$ 62,775,000
District's covered-employee payroll	\$ 23,807,404	\$ 23,239,884	\$ 22,756,687	\$ 22,874,758	\$ 22,586,915	\$ 22,464,381	\$ 21,422,799	\$ 20,932,889	\$ 20,235,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.15%	289.20%	350.52%	339.09%	356.42%	370.89%	382.62%	336.67%	310.23%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

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

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date								
	<u>2022</u>	<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	\$ 8,066,718	\$ 7,779,003	\$ 7,567,313	\$ 7,424,915	\$ 7,116,000	\$ 6,453,000	\$ 5,262,000	\$ 4,201,000	\$ 3,159,000
Contributions in relation to the contractually required contribution	<u>\$ 8,066,718</u>	<u>\$ 7,779,003</u>	<u>\$ 7,567,313</u>	<u>\$ 7,435,753</u>	<u>\$ 7,131,159</u>	<u>\$ 6,455,302</u>	<u>\$ 5,416,000</u>	<u>\$ 4,289,181</u>	<u>\$ 3,259,735</u>
Contribution deficiency (excess)	-	-	-	(10,838)	(15,159)	(2,302)	(154,000)	(88,181)	(100,735)
District's covered-employee payroll	\$ 23,807,404	\$ 23,239,884	\$ 22,756,687	\$ 22,874,758	\$ 22,586,915	\$ 22,464,381	\$ 21,422,799	\$ 20,932,889	\$ 20,235,020
Contributions as a percentage of covered-employee payroll	33.88%	33.47%	33.25%	32.51%	31.57%	28.74%	25.28%	20.49%	16.11%

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

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 95,962	\$ 28,091	\$ 31,135	\$ 29,442	\$ 32,599	\$ 79,241
Interest on total OPEB liability	36,684	107,229	116,621	81,321	83,391	88,164
Differences between expected and actual experience	-	(1,425,761)	-	121,533	-	(52,534)
Changes of assumptions	(342,302)	26,584	-	660,443	-	738,499
Benefit payments	<u>(73,835)</u>	<u>(465,621)</u>	<u>(363,548)</u>	<u>(180,949)</u>	<u>(185,852)</u>	<u>(243,851)</u>
Net change in total OPEB liabilities	(283,491)	(1,729,478)	(215,792)	711,790	(69,862)	609,519
Total OPEB liability, beginning	<u>1,552,968</u>	<u>3,282,446</u>	<u>3,498,238</u>	<u>2,786,448</u>	<u>2,856,310</u>	<u>2,246,791</u>
Total OPEB liability, ending	<u>\$ 1,269,477</u>	<u>\$ 1,552,968</u>	<u>\$ 3,282,446</u>	<u>\$ 3,498,238</u>	<u>\$ 2,786,448</u>	<u>\$ 2,856,310</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 22,261,580	\$ 22,261,580	\$ 21,391,318	\$ 20,869,579	\$ 19,566,848	\$ 19,089,608
Net OPEB liability as a % of covered payroll	5.70%	6.98%	15.34%	16.76%	14.24%	14.96%

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

LAMPETER-STRASBURG SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.1619%	0.1639%	0.1621%	0.1658%	0.1677%	0.1687%
District's proportionate share of the net OPEB liability	\$ 2,980,208	\$ 3,884,566	\$ 3,502,490	\$ 3,526,304	\$ 3,496,000	\$ 3,437,000
District's covered-employee payroll	\$ 23,807,404	\$ 23,239,884	\$ 22,756,687	\$ 22,871,758	\$ 22,586,915	\$ 22,464,381
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total net OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

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

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 189,055	\$ 190,722	\$ 190,829	\$ 189,959	\$ 187,000	\$ 187,000
Contributions in relation to the contractually required contribution	<u>\$ 189,055</u>	<u>\$ 190,722</u>	<u>\$ 190,739</u>	<u>\$ 189,315</u>	<u>\$ 186,480</u>	<u>\$ 183,490</u>
Contribution deficiency (excess)	-	-	90	644	520	3,510
District's covered-employee payroll	\$ 23,807,404	\$ 23,239,884	\$ 22,756,687	\$ 22,871,758	\$ 22,586,915	\$ 22,464,381
Contributions as a percentage of covered-employee payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.82%

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

SINGLE AUDIT

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

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<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, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Education</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Title I - Improving Basic Programs	I	84.010	013-220220	07/17/21 - 09/30/22	\$ 524,024	\$ 248,667	\$ 45,016	\$ 203,651	\$ 203,651	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-230220	07/11/22 - 09/30/23	508,650	271,092	-	486,524	486,524	215,432	-
Total ALN #84.010						519,759	45,016	690,175	690,175	215,432	-
Title II - Improving Teacher Quality	I	84.367	020-220220	07/17/21 - 09/30/22	97,429	14,148	12,024	2,124	2,124	-	-
Title II - Improving Teacher Quality	I	84.367	020-230220	07/11/22 - 09/30/23	83,871	72,252	-	83,871	83,871	11,619	-
Total ALN #84.367						86,400	12,024	85,995	85,995	11,619	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220220	07/17/21 - 09/30/22	29,499	17	17	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-230220	07/11/22 - 09/30/23	41,117	39,168	-	41,117	41,117	1,949	-
Total ALN #84.424						39,185	17	41,117	41,117	1,949	-
COVID-19 - ESSER Fund Local	I	84.425D	200-210220	03/13/20 - 09/30/23	1,448,503	1,044,270	38,317	1,005,953	1,005,953	-	-
COVID-19 - ARP ESSER	I	84.425U	223-210220	03/13/20 - 09/30/24	2,929,903	1,278,503	249,467	1,258,361	1,258,361	229,325	-
COVID-19 - ARP ESSER - 7%	I	84.425U	225-210220	03/13/20 - 09/30/24	227,719	45,544	14,659	48,181	48,181	17,296	-
COVID-19 - ARP ESSER - Homeless Children & Youth	I	84.425W	181-212217	03/13/20 - 09/30/24	18,674	3,352	80	4,503	4,503	1,231	-
Total ALN #84.425						2,371,669	302,523	2,316,998	2,316,998	247,852	-
<u>Passed Through the Lancaster-Lebanon I.U. #13</u>											
I.D.E.A. - Part B, Section 611	I	84.027	H027A220093	07/01/22 - 09/30/23	519,386	519,386	-	519,386	519,386	-	-
COVID-19 - ARP I.D.E.A.	I	84.027X	H027X210093	07/01/21 - 09/30/23	118,399	64,244	-	64,244	64,244	-	-
Total ALN #84.027						583,630	-	583,630	583,630	-	-
I.D.E.A. - Part B, Section 619	I	84.173	H173A220090	07/01/22 - 06/30/23	2,354	2,354	-	2,354	2,354	-	-
Total U.S. Department of Education						3,602,997	359,580	3,720,269	3,720,269	476,852	-

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, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Homeland Security</u>											
<u>Passed-Through the Pennsylvania Emergency Management Agency</u>											
Public Assistance Grants	I	97.036	546733	03/30/20 - 06/30/22	26,794	2,679	2,679	-	-	-	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	11,358	11,358	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	162,898	-	162,898	162,898	-	-
Total ALN #10.553						174,256	11,358	162,898	162,898	-	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	628	-	628	628	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	80,597	-	80,597	80,597	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	38,545	38,545	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	559,765	-	559,765	559,765	-	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	136,428	(34,540)	143,554	143,554	(27,414)	-
Total ALN #10.555						815,335	4,005	783,916	783,916	(27,414)	-
Total U.S. Department of Agriculture						990,219	15,363	947,442	947,442	(27,414)	-
Total Federal Awards						\$ 4,595,895	\$ 377,622	\$ 4,667,711	\$ 4,667,711	\$ 449,438	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 585,984	\$ -	\$ 585,984	\$ 585,984	\$ -	\$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						\$ 989,591	\$ 15,363	\$ 946,814	\$ 946,814	\$ (27,414)	\$ -

Legend

D - Direct Funding

I - Indirect Funding

ALN - Catalog of Federal Domestic Assistance

LAMPETER-STRASBURG SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

(1) FEDERAL EXPENDITURES

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

(2) BASIS OF ACCOUNTING

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

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards under ALN #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2022-2023 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, 2023 was \$0.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2023.

LAMPETER-STRASBURG SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2023

There were no audit findings for the year ended June 30, 2022.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lampeter-Strasburg School District, Lampeter, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lampeter-Strasburg School District's basic financial statements, and have issued our report thereon dated October 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lampeter-Strasburg School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lampeter-Strasburg School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lampeter-Strasburg School District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
October 16, 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
Lampeter-Strasburg School District
Lampeter, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lampeter-Strasburg 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 Lampeter-Strasburg School District's major federal programs for the year ended June 30, 2023. Lampeter-Strasburg School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lampeter-Strasburg School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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 Lampeter-Strasburg 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 Lampeter-Strasburg 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 Lampeter-Strasburg 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 Lampeter-Strasburg 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 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 Lampeter-Strasburg 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 Lampeter-Strasburg 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 Lampeter-Strasburg 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 Lampeter-Strasburg 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
October 16, 2023

LAMPETER-STRASBURG SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

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

Education Stabilization Fund – Elementary and Secondary Education – ALN #84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Lampeter-Strasburg School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



October 16, 2023

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lampeter-Strasburg School District, Lampeter, Pennsylvania (the "***District***") for the year ended June 30, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated March 27, 2023, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("***OMB***") Compliance Supplement applicable to its major federal program for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As more fully described in the notes to the financial statements during the year ended June 30, 2023, the District implemented GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*". GASB Statement No. 96 increases the usefulness of financial statements by requiring recognition of certain subscription assets and liabilities for arrangements that previously were classified as operating activities and recognized as inflows of resources or outflows of resources based on the payment provisions of the agreement. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense and the long-term liabilities recorded for the District's net pension liability and net other post-employment benefits liability. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable to the financial statement as a whole.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information ("**RSI**") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of School Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BBD, LLP

BBD, LLP