Pequea Valley School District

Year Ended June 30, 2020

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Pequea Valley School District

Financial Statements with Supplementary Information

Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members
Pequea Valley School District
Lancaster County, Pennsylvania

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Pequea Valley School District** (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Pequea Valley School District** as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 13, the budgetary comparison information on pages 64 and 65, the other postemployment benefits (OPEB) health care benefits plan information on pages 66 through 70, and the pension information on pages 71 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 November 18, 2020, on our consideration of **Pequea Valley 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 **Pequea Valley 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 **Pequea Valley School District's** internal control over financial reporting and compliance.

Trout CPA

November 18, 2020

Lancaster, Pennsylvania

The discussion and analysis of the **Pequea Valley School District's** (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements as a whole to enhance their understanding of the School District's financial performance.

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

Financial Highlights

Overall expenditures in the general fund for the 2019-2020 fiscal year were expected to increase by 3.71% from the previous year's expenditure and financing uses original budget based on the original budget. At year end, actual expenditures and uses were 0.16% less than budgeted, and revenues were greater than budgeted by 1.16%. Revenues exceeded expenses in the amount of $4,530,728 for the 2019-2020 fiscal year. There were transfers out of the general fund of $3,736,400 to the debt service fund. This resulted in a net increase in fund balance of $982,523.

Based on final budgeted amounts, instructional services expenses were lower than budgeted by $277,035 or 1.30% and support services were lower than budgeted by $100,384 or 0.79%. The reason for both instructional and support expenses being lower than budgeted was due to a decrease in personnel and services needed in these areas primarily due to schools being closed for COVID-19 pandemic. Both of these variances were not anticipated at the time of budget.

Based on final budgeted amounts, total revenues were $447,461 higher than budgeted. Local revenue was $562,440 or 1.98% higher than budgeted. Real estate and other taxes attributed to $384,673 of this increase with interest on investments accounting for $88,941 of the increase and other revenue accounting for $88,826 of the increase. State revenue was $151,612 less than budgeted and federal revenue was $36,633 more than budgeted.

On March 13, 2020 the Governor of Pennsylvania closed all schools due to the rise of the COVID-19 pandemic. The School District never opened back up in the traditional manner for the remainder of the year. Instructional aides and various support staff were no longer needed for the remainder of the year which decreased expenditures. Additionally, pupil transportation was also no longer needed and the district renegotiated with the transportation contractor to only pay their fixed cost for the remainder of the school year. This amounted into a savings to the district in the amount of $306,860.

Using this Annual Report

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

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

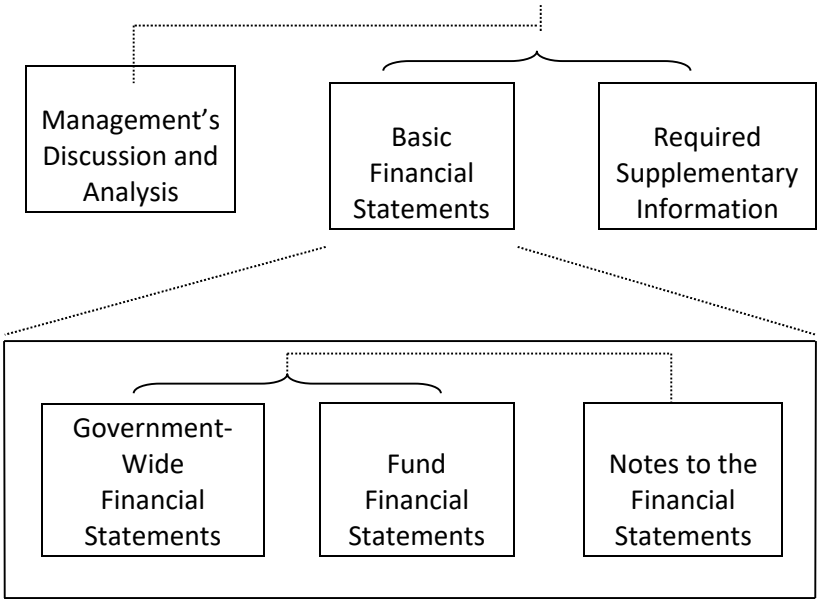
Using this Annual Report (Continued)

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the School District operates like a business. For this School District, this is the food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others.

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

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

Figure A-1
Required Components of Pequea Valley School District's Financial Report



Using this Annual Report (Continued)

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

Figure A-2
Major Features of Pequea Valley School District's
Government-Wide and Fund Financial Statements

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

Overview of Financial Statements

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

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

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

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

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

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

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

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

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides, whether to outside customers or to other units in the School District, these services are generally reported in proprietary funds.

Overview of Financial Statements (Continued)

Fund Financial Statements (Continued)

The food service fund is the School District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as cash flow.

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

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship funds and student activity funds. All of the School District's fiduciary activities are reported in separate statements of net position and changes in net position - fiduciary funds. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was $5,194,850 as of June 30, 2020. The negative unrestricted net position is due to GASB 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of an approximately $44.8 million net pension liability at June 30, 2020, and significant footnote disclosure found in Note 14.

Table A-1
Fiscal Years Ended June 30, 2020 and 2019
Net Position

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	20,419,851	203,193	20,623,044	19,338,311	244,586	19,582,897
Capital Assets and Other Noncurrent Assets	36,206,492	67,179	36,273,671	38,108,162	86,373	38,194,535
Total Assets	**56,626,343**	**270,372**	**56,896,715**	**57,446,473**	**330,959**	**57,777,432**
Deferred Outflows of Resources	**8,657,807**	**90,400**	**8,748,207**	**8,922,766**	**93,200**	**9,015,966**
Current and Other Liabilities	7,805,398	18,132	7,823,530	8,061,886	7,593	8,069,479
Long-Term Liabilities	50,352,942	514,600	50,867,542	53,138,580	511,000	53,649,580
Total Liabilities	**58,158,340**	**532,732**	**58,691,072**	**61,200,466**	**518,593**	**61,719,059**
Deferred Inflows of Resources	**1,741,000**	**18,000**	**1,759,000**	**847,000**	**9,000**	**856,000**

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

Table A-1
Fiscal Years Ended June 30, 2020 and 2019
Net Position

	2020			2019		
Net Position:						
Net Investment in Capital Assets	33,229,789	67,179	33,296,968	31,444,089	86,373	31,530,462
Unrestricted	(27,844,979)	(257,139)	(28,102,118)	(27,122,316)	(189,807)	(27,312,123)
Total Net Position	**5,384,810**	**(189,960)**	**5,194,850**	**4,321,773**	**(103,434)**	**4,218,339**

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The deferred inflows and outflows of resources are discussed in Note 1 to the financial statements. The negative unrestricted net position is due to the requirement of the School District to report its proportionate share of the PSERS net pension liability as defined in GASB statement No. 68. Note 14 of these financial statements further explains the defined benefit pension plan.

The results of this year's operations as a whole are reported in the statement of activities on pages 16 and 17. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues.

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

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

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

Table A-2
Fiscal Years Ended June 30, 2020 and 2019
Changes in Net Position

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	153,675	176,911	330,586	170,693	248,261	418,954
Operating Grants and Contributions	7,021,335	415,617	7,436,952	6,898,434	519,500	7,417,934
Capital Grants and Contributions	219,214	-0-	219,214	272,434	-0-	272,434
General Revenues:						
Property Taxes	25,306,912	-0-	25,306,912	24,429,892	-0-	24,429,892
Other Taxes	2,936,741	-0-	2,936,741	2,919,523	-0-	2,919,523
Grants, Subsidies, and Contributions, Unrestricted	3,281,477	-0-	3,281,477	3,205,998	-0-	3,205,998
Other	498,991	7,615	506,606	567,384	18,757	586,141
Total Revenues	**39,418,345**	**600,143**	**40,018,488**	**38,464,358**	**786,518**	**39,250,876**
Expenses:						
Instructional Programs	23,660,278	-0-	23,660,278	22,555,640	-0-	22,555,640
Instructional Student Support	4,478,595	-0-	4,478,595	3,577,257	-0-	3,577,257
Administrative and Financial Support Services	3,816,698	-0-	3,816,698	3,292,838	-0-	3,292,838
Operation and Maintenance of Plant Services	3,219,199	-0-	3,219,199	3,154,621	-0-	3,154,621
Pupil Transportation	2,180,113	-0-	2,180,113	2,538,310	-0-	2,538,310
Student Activities	793,662	-0-	793,662	804,949	-0-	804,949
Community Services	50,649	-0-	50,649	34,082	-0-	34,082
Interest on Long-Term Debt	156,114	-0-	156,114	231,661	-0-	231,661
Food Services	-0-	686,669	686,669	-0-	733,685	733,685
Total Expenses	**38,355,308**	**686,669**	**39,041,977**	**36,189,358**	**733,685**	**36,923,043**
Increase (Decrease) in Net Position	**1,063,037**	**(86,526)**	**976,511**	**2,275,000**	**52,833**	**2,327,833**

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

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

Table A-3
Fiscal Years Ended June 30, 2020 and 2019
Governmental Activities

	2020		2019	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Instructional Programs	23,660,278	18,857,793	22,555,640	17,739,556
Instructional Student Support	4,478,595	4,087,471	3,577,257	3,214,153
Administrative and Financial Support Services	3,816,698	3,406,659	3,292,838	2,913,952
Operation and Maintenance of Plant Services	3,219,199	3,078,521	3,154,621	2,996,033
Pupil Transportation	2,180,113	901,945	2,538,310	1,318,989
Student Activities	793,662	677,690	804,949	692,773
Community Services	50,649	14,105	34,082	13,114
Interest on Long-Term Debt	156,114	(63,100)	231,661	(40,773)
Total Governmental Activities	**38,355,308**	**30,961,084**	**36,189,358**	**28,847,797**
Unrestricted Grants, Subsidies		**(3,281,477)**		**(3,205,998)**
Total Needs from Local Taxes and Other Revenues		**27,679,607**		**25,641,799**

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

Table A-4
Fiscal Years Ended June 30, 2020 and 2019
Business-Type Activities

	2020		2019	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Food Services	686,669	94,141	733,685	(34,076)

Financial Analysis of the School District as a Whole (Continued)
The increase in the net cost of services is primarily related to a decrease in sale of meals served due to the COVID-19 pandemic and an increase in charges for services due to new programs in which Food Service meals are served. The School District chose to provide free meals to families through the local food bank from March to the end of the school year. The statement of revenues, expenses, and changes in net position for this proprietary fund will further detail the actual results of operations.

The School District Funds
As of June 30, 2020, the School District's governmental funds reported a combined fund balance of $14,599,361 which is an increase of $639,476 from the previous year. The primary reason for this increase is due to revenues exceeding expenditures much due to the COVID-19 impact on the School District in relation to a decrease in expenses, decrease in debt service and sale of assets.

The School District's debt service fund facilitated the payment of debt service of $3,736,400 and carries no fund balance.

General Fund Budget
During the fiscal year, the Board of School Directors (Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. A schedule, showing the School District's original and final budget amounts compared with amounts actually paid and received, is provided on page 64.

Transfers between specific categories of expenditures and financing uses occur during the year.

Debt Administration and Capital Assets

Debt Administration
As of July 1, 2019, the School District had a total outstanding bond principal of $6,570,000. During the year, the School District made payments against principal in the amount of $3,605,000. Current year debt service activity resulted in an ending outstanding debt as of June 30, 2020, of $2,965,000.

Table A-5
Outstanding Debt

	2020	2019
Issue:		
Series A of 2013	2,595,000	5,850,000
Series of 2015	370,000	720,000
	2,965,000	**6,570,000**

More detailed information about our long-term liabilities is included in Note 10 to the financial statements. Accrued vacation pay and sick leave and accrued retirement bonuses for specific employees of the School District are detailed in Notes 12 and 13 of the financial statements, respectively.

Debt Administration and Capital Assets (Continued)

Capital Assets

As of June 30, 2020, the School District had $36,206,492 invested in a broad range of capital assets, including land, buildings, furniture, and equipment for governmental activities. This amount represents a net decrease (including additions, deletions, and depreciation) of $1,901,670.

Table A-6
Governmental Activities
Capital Assets - net of Depreciation

	2020	2019
Land and Site Improvements	1,515,018	1,621,289
Building and Building Improvements	32,622,561	34,366,291
Furniture and Equipment	2,026,462	2,041,661
Vehicles	42,451	54,935
Construction in Process	-0-	23,986
	36,206,492	**38,108,162**

Economic Factors and Next Year's Budgets and Rates

The School District's general obligation bond rating is a Moody's and Standard & Poor's AA. The AA rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. Standard & Poor's cited that the AA rating reflects the School District's stable tax base, very strong financial position with conservative budgeting practices, and low debt burden on market value basis with limited capital needs.

The School District does not expect a significant growth in student population. Despite a good amount of available land, current zoning ordinances discourage residential development. Increases in assessed values have been relatively low in recent years, primarily as a result of properties which qualify for preferential assessment under the Clean and Green Act. The wage tax shows a steady annual increase that generally reflects increases at or slightly above the CPI, an indication that employment opportunities are available for residents of our School District.

In the 2020-2021 budget, the School District increased expenditures and financing uses by 0.93% from the original budget in the previous year. The majority of the increase was in salaries and associated benefits. Debt service is funded at the maximum needed level of $3,024,300. The School District will make the final principal and interest payments on outstanding debt during 2020-2021. The School District plans to utilize the excess funds in debt service in future years to fund the capital projects fund.

Budgeted revenue for the 2020-2021 school year is 0.41% higher than the original budget in the previous fiscal year. The millage increase for the 2020-2021 fiscal year was 1.50% well under the allowable 2.6% act 1 index. Local revenue continues to provide the majority of funding for School District expenses as noted on page 10.

Economic Factors and Next Year's Budgets and Rates (Continued)
On September 10, 2020 the Board of Directors voted to extend the Real Estate Tax Base period to December 31, 2020 in order to help community members who may be struggling with paying real estate taxes due to loss of work from the COVID-19 Pandemic shut down. At that time, the district had already seen over 70% of the taxes collected. This was not significantly lower than previous years and does not expect this change to have any material impact to collection rates or cash flow.

The comparison of revenue and expenditure categories is as follows:

Table A-7
Budgeted Revenues

	2020-2021	2019-2020
Local Sources	74.4%	73.8%
State Sources	22.5%	23.0%
Federal/Other Sources	3.1%	3.2%

Budgeted Expenditures

	2020-2021	2019-2020
Instruction	54.6%	54.7%
Support Services	33.0%	32.7%
Non-Instruction/Community	1.8%	1.7%
Fund Transfers/Debt	10.6%	10.9%

Contacting the School District Business Administrator
Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact John A. Bowden, Chief of Finance and Operations, **Pequea Valley School District**, 166 S. New Holland Road, P.O. Box 130, Kinzers, PA 17535.

Pequea Valley School District

STATEMENT of NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 1,379,094	$ 298,849	$ 1,677,943
Investments	15,799,097	241,412	16,040,509
Taxes Receivable, net	1,093,404	-0-	1,093,404
Internal Balances	374,279	(374,279)	-0-
Due from Other Governments	1,574,630	-0-	1,574,630
Other Receivables	27,658	4,784	32,442
Prepaid Expenses	171,689	-0-	171,689
Inventories	-0-	32,427	32,427
Total Current Assets	**20,419,851**	**203,193**	**20,623,044**
Capital Assets			
Non-Depreciable	598,048	-0-	598,048
Depreciable, net	35,608,444	67,179	35,675,623
Total Capital Assets	**36,206,492**	**67,179**	**36,273,671**
TOTAL ASSETS	**56,626,343**	**270,372**	**56,896,715**
DEFERRED OUTFLOWS of RESOURCES			
Loss on Bond Refunding, net of Accumulated Amortization	807	-0-	807
Pension	7,421,000	78,400	7,499,400
Other Postemployment Benefits	1,236,000	12,000	1,248,000
TOTAL DEFERRED OUTFLOWS of RESOURCES	**$ 8,657,807**	**$ 90,400**	**$ 8,748,207**

See notes to financial statements.

Pequea Valley School District

STATEMENT of NET POSITION
(Continued)
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 201,096	$ 734	$ 201,830
Current Portion of Bonds Payable, net of Unamortized Premium	2,977,510	-0-	2,977,510
Accrued Salaries and Benefits	2,819,620	534	2,820,154
Compensated Absences Due Within One Year	183,500	-0-	183,500
Accrued Interest on Long-Term Debt	22,180	-0-	22,180
Payroll Deductions and Withholdings	128,404	-0-	128,404
Unearned Revenues	53,777	16,864	70,641
Due to Other Governments	1,124,098	-0-	1,124,098
Other Current Liabilities	295,213	-0-	295,213
Total Current Liabilities	**7,805,398**	**18,132**	**7,823,530**
Noncurrent Liabilities			
Accrued Retirement Bonuses	777,253	-0-	777,253
Long-Term Portion of Compensated Absences	856,689	-0-	856,689
Net Pension Liability	44,348,000	470,600	44,818,600
Net Other Postemployment Benefits (OPEB) Liability	4,371,000	44,000	4,415,000
Total Noncurrent Liabilities	**50,352,942**	**514,600**	**50,867,542**
TOTAL LIABILITIES	**58,158,340**	**532,732**	**58,691,072**
DEFERRED INFLOWS of RESOURCES			
Pension	1,611,000	17,000	1,628,000
Other Postemployment Benefits	130,000	1,000	131,000
TOTAL DEFERRED INFLOWS of RESOURCES	**1,741,000**	**18,000**	**1,759,000**
NET POSITION			
Net Investment in Capital Assets	33,229,789	67,179	33,296,968
Unrestricted (Deficit)	(27,844,979)	(257,139)	(28,102,118)
TOTAL NET POSITION	**$ 5,384,810**	**$(189,960)**	**$ 5,194,850**

See notes to financial statements.

Pequea Valley School District

STATEMENT of ACTIVITIES

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	$ 23,660,278	$ 82,956	$ 4,719,529	$ -0-	$ (18,857,793)	$ -0-	$ (18,857,793)
Instructional Student Support	4,478,595	-0-	391,124	-0-	(4,087,471)	-0-	(4,087,471)
Administrative and Financial Support Services	3,816,698	-0-	410,039	-0-	(3,406,659)	-0-	(3,406,659)
Operation and Maintenance of Plant Services	3,219,199	26,203	114,475	-0-	(3,078,521)	-0-	(3,078,521)
Pupil Transportation	2,180,113	-0-	1,278,168	-0-	(901,945)	-0-	(901,945)
Student Activities	793,662	42,775	73,197	-0-	(677,690)	-0-	(677,690)
Community Services	50,649	1,741	34,803	-0-	(14,105)	-0-	(14,105)
Interest on Long-Term Debt	156,114	-0-	-0-	219,214	63,100	-0-	63,100
Total Governmental Activities	**38,355,308**	**153,675**	**7,021,335**	**219,214**	**(30,961,084)**	**-0-**	**(30,961,084)**
Business-Type Activities:							
Food Services	**686,669**	**176,911**	**415,617**	**-0-**	**-0-**	**(94,141)**	**(94,141)**
Total Primary Government	**$ 39,041,977**	**$ 330,586**	**$ 7,436,952**	**$ 219,214**	**$ (30,961,084)**	**$ (94,141)**	**$ (31,055,225)**

See notes to financial statements.

Pequea Valley School District

STATEMENT of ACTIVITIES
(Continued)
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Governmental Activities	Net Revenue (Expense) and Changes in Net Position: Business-Type Activities	Net Revenue (Expense) and Changes in Net Position: Total
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					$ 25,306,912	$ -0-	$ 25,306,912
Public Utility Realty, Earned Income, and Other Taxes Levied for General Purposes, net					2,936,741	-0-	2,936,741
Unrestricted Grants and Subsidies					3,281,477	-0-	3,281,477
Unrestricted Investment Earnings					321,419	7,615	329,034
Refund of Prior Year Revenue					(2,856)	-0-	(2,856)
Gain on Asset Dispositions					180,428	-0-	180,428
Total General Revenues					**32,024,121**	**7,615**	**32,031,736**
CHANGES in NET POSITION					**1,063,037**	**(86,526)**	**976,511**
NET POSITION							
Beginning					4,321,773	(103,434)	4,218,339
Ending					**$ 5,384,810**	**$ (189,960)**	**$ 5,194,850**

See notes to financial statements.

Pequea Valley School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	Major Funds			
	General Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 1,379,094	$ -0-	$ -0-	$ 1,379,094
Investments	13,346,535	2,053,584	-0-	15,400,119
Taxes Receivable, net	1,093,404	-0-	-0-	1,093,404
Due from Other Funds	374,894	-0-	-0-	374,894
Due from Other Governments	1,423,344	-0-	-0-	1,423,344
Other Receivables	27,857	-0-	-0-	27,857
Prepaid Expenses	171,689	-0-	-0-	171,689
TOTAL ASSETS	**17,816,817**	**2,053,584**	**-0-**	**19,870,401**
LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES				
LIABILITIES				
Accounts Payable	201,096	-0-	-0-	201,096
Due to Other Funds	468,860	307	-0-	469,167
Accrued Salaries and Benefits	2,819,620	-0-	-0-	2,819,620
Payroll Deductions and Withholdings	128,404	-0-	-0-	128,404
Payable to Other Governments	1,124,098	-0-	-0-	1,124,098
Other Current Liabilities	73,837	-0-	-0-	73,837
Unearned Revenues	53,777	-0-	-0-	53,777
TOTAL LIABILITIES	**4,869,692**	**307**	**-0-**	**4,869,999**
DEFERRED INFLOWS of RESOURCES				
Deferred Taxes	**401,041**	**-0-**	**-0-**	**401,041**
FUND BALANCES				
Nonspendable	171,689	-0-	-0-	171,689
Committed	8,200,000	-0-	-0-	8,200,000
Assigned	-0-	2,053,277	-0-	2,053,277
Unassigned	4,174,395	-0-	-0-	4,174,395
TOTAL FUND BALANCES	**12,546,084**	**2,053,277**	**-0-**	**14,599,361**
TOTAL LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES	**$ 17,816,817**	**$ 2,053,584**	**$ -0-**	**$ 19,870,401**

See notes to financial statements.

Pequea Valley School District

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
June 30, 2020

Total Fund Balances - Governmental Funds	$ 14,599,361
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is $77,177,688 and the accumulated depreciation is $40,971,196.	36,206,492
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	797,241
Property taxes and certain other receivables are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	401,041
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities and related accounts at year end consist of:	
Accrued Interest on Long-Term Debt	(22,180)
Bonds Payable	(2,965,000)
Bond Premium, net of Amortization	(12,510)
Net Pension Liability	(44,348,000)
Accrued Retirement Bonuses	(777,253)
Compensated Absences	(1,040,189)
Net Other Postemployment Benefit (OPEB) Liability	(4,371,000)
Deferred outflows of resources - loss on bond refundings, pension, and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.	8,657,807
Deferred inflows of resources - pension and OPEB are not due and collectable in the current period and, therefore, are not reported in the funds.	(1,741,000)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	**$ 5,384,810**

See notes to financial statements.

Pequea Valley School District

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

Year Ended June 30, 2020

	Major Funds			
	General Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Real Estate Taxes	$ 25,224,680	$ -0-	$ -0-	$ 25,224,680
Other Taxes	2,936,741	-0-	-0-	2,936,741
Investment Earnings	288,941	28,269	-0-	317,210
Other Revenue	557,426	-0-	-0-	557,426
Total Local Sources	29,007,788	28,269	-0-	29,036,057
State Sources	8,725,158	-0-	-0-	8,725,158
Federal Sources	1,393,117	-0-	-0-	1,393,117
Total Revenues	**39,126,063**	**28,269**	**-0-**	**39,154,332**
EXPENDITURES				
Instructional Services	21,056,721	-0-	-0-	21,056,721
Support Services	12,528,004	340,565	-0-	12,868,569
Noninstructional Services	803,930	-0-	-0-	803,930
Capital Outlay	-0-	30,751	-0-	30,751
Debt Service	206,680	-0-	3,736,400	3,943,080
Total Expenditures	**34,595,335**	**371,316**	**3,736,400**	**38,703,051**
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	**4,530,728**	**(343,047)**	**(3,736,400)**	**451,281**
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	191,051	-0-	-0-	191,051
Debt Service Fund Transfer	(3,736,400)	-0-	3,736,400	-0-
Refund of Prior Year Revenues	(2,856)	-0-	-0-	(2,856)
Net Other Financing Sources (Uses)	**(3,548,205)**	**-0-**	**3,736,400**	**188,195**
NET CHANGES in FUND BALANCES	**982,523**	**(343,047)**	**-0-**	**639,476**
FUND BALANCES				
Beginning	11,563,561	2,396,324	-0-	13,959,885
Ending	**$ 12,546,084**	**$ 2,053,277**	**$ -0-**	**$ 14,599,361**

See notes to financial statements.

Pequea Valley School District

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES to the STATEMENT of ACTIVITIES
Year Ended June 30, 2020

Net Changes in Fund Balances - Total Governmental Funds		$ 639,476
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeds capital outlays in the period is as follows:		
Depreciation Expense	(2,140,502)	
Capital Outlays	249,455	(1,891,047)
Proceeds from the sale of capital assets are reported in the statement of activities net of the remaining basis of the assets disposed. This amount represents the remaining basis of all disposed assets.		(10,623)
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues increased by this amount this year.		82,232
The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.		(47,169)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,605,000
Recognition of the capital lease expenditure in the governmental funds that was prepaid in the prior year. This amount was reflected as reduction of the current portion of the capital lease in the prior year's statement of net position.		72,055
Repayment of the capital lease payment is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		$ 129,539

See notes to financial statements.

Pequea Valley School District

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES to the STATEMENT of ACTIVITIES
(Continued)
Year Ended June 30, 2020

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.	$ 27,541
In the statement of activities, certain operating expenses (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	(43,287)
In the statement of activities, certain operating expenses (e.g., accrued retirement bonuses) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	2,145
In the statement of activities, deferred inflows of resources - OPEB, deferred outflows of resources - OPEB, and OPEB expense are recognized in conjunction with net OPEB liability. Whereas in the governmental funds, OPEB expense is recorded when required contributions are payable. This amount represents the current OPEB obligation expense over amounts payable.	(225,000)
The internal service funds, which are used by management to charge the costs of services to individual funds, are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.	(70,825)
In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with net pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable. This amount represents the current pension obligation expense.	(1,207,000)
CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES	**$ 1,063,037**

See notes to financial statements.

Pequea Valley School District

STATEMENT of NET POSITION -
PROPRIETARY FUNDS
June 30, 2020

	Major Fund	
	Food Service Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 298,849	$ -0-
Investments	241,412	398,978
Due from Other Funds	-0-	468,353
Due from Other Governments	-0-	151,286
Other Receivables	4,784	-0-
Inventories	32,427	-0-
Total Current Assets	**577,472**	**1,018,617**
Noncurrent Assets		
Depreciable Capital Assets, net	**67,179**	**-0-**
TOTAL ASSETS	**644,651**	**1,018,617**
DEFERRED OUTFLOWS of RESOURCES		
Pension	78,400	-0-
Other Postemployment Benefits	12,000	-0-
TOTAL DEFERRED OUTFLOWS of RESOURCES	**90,400**	**-0-**
LIABILITIES		
Current Liabilities		
Accounts Payable	734	-0-
Accrued Salaries and Benefits	534	-0-
Due to Other Funds	374,279	-0-
Other Current Liabilities	-0-	221,376
Unearned Revenues	16,864	-0-
Total Current Liabilities	**392,411**	**221,376**
Noncurrent Liabilities		
Net Pension Liability	470,600	-0-
Net Other Postemployment Benefits (OPEB) Liability	44,000	-0-
Total Noncurrent Liabilities	**514,600**	**-0-**
TOTAL LIABILITIES	**907,011**	**221,376**
DEFERRED INFLOWS of RESOURCES		
Pension	17,000	-0-
Other Postemployment Benefits	1,000	-0-
TOTAL DEFERRED INFLOWS of RESOURCES	**18,000**	**-0-**
NET POSITION		
Net Investment in Capital Assets	67,179	-0-
Unrestricted (Deficit)	(257,139)	797,241
TOTAL NET POSITION	**$ (189,960)**	**$ 797,241**

See notes to financial statements.

Pequea Valley School District

STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Major Enterprise Fund	
	Food Service Fund	**Internal Service Fund**
OPERATING REVENUES		
Food Service Revenue	$ 176,911	$ -0-
Charges for Services	-0-	3,935,870
Total Operating Revenues	**176,911**	**3,935,870**
OPERATING EXPENSES		
Salaries	135,927	-0-
Employee Benefits	125,421	4,010,904
Purchased Professional and Technical Services	168,423	-0-
Other Purchased Services	7,595	-0-
Supplies	230,109	-0-
Depreciation	19,194	-0-
Total Operating Expenses	**686,669**	**4,010,904**
OPERATING LOSS	**(509,758)**	**(75,034)**
NONOPERATING REVENUES		
Investment Earnings	7,615	4,209
State Sources	46,613	-0-
Federal Sources	369,004	-0-
Net Nonoperating Revenues	**423,232**	**4,209**
CHANGES in NET POSITION	**(86,526)**	**(70,825)**
NET POSITION		
Beginning	(103,434)	868,066
Ending	**$ (189,960)**	**$ 797,241**

See notes to financial statements.

Pequea Valley School District

STATEMENT of CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
CASH FLOWS from OPERATING ACTIVITIES		
Cash Received from Users	$ 187,794	$ 389,825
Cash Received from Assessments Made to Other Funds	-0-	3,993,331
Cash Payments to Employees for Services	(254,083)	-0-
Cash Payments to Suppliers for Goods and Services	(387,563)	-0-
Cash Payments for Insurance Claims	-0-	(4,404,919)
Net Cash Used by Operating Activities	**(453,852)**	**(21,763)**
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
State Sources	49,826	-0-
Federal Sources	399,344	-0-
Net Cash Provided by Noncapital Financing Activities	**449,170**	**-0-**
CASH FLOWS from INVESTING ACTIVITIES		
Investment Earnings	7,615	4,209
Sale of Investments	250,000	547,576
Purchase of Investments	(422,747)	(530,022)
Net Cash Provided (Used) by Investing Activities	**(165,132)**	**21,763**
DECREASE in CASH and CASH EQUIVALENTS	**(169,814)**	**-0-**
CASH and CASH EQUIVALENTS		
Beginning of Year	468,663	-0-
End of Year	**$ 298,849**	**$ -0-**

See notes to financial statements.

Pequea Valley School District

STATEMENT of CASH FLOWS -
PROPRIETARY FUNDS
(Continued)
Year Ended June 30, 2020

	Major Enterprise Fund	
	Food Service Fund	**Internal Service Fund**
RECONCILIATION of OPERATING LOSS to NET CASH USED by OPERATING ACTIVITIES		
Operating Loss	**$ (509,758)**	**$ (75,034)**
ADJUSTMENTS to RECONCILE OPERATING LOSS to NET CASH USED by OPERATING ACTIVITIES		
Depreciation	19,194	-0-
Use of USDA Commodities	28,956	-0-
Decrease in Interfund Receivable	-0-	57,461
Increase in Inventory	(9,338)	-0-
(Increase) Decrease in Other Current Assets	(588)	74,217
Increase (Decrease) in Accounts Payable	734	(78,407)
Increase in Accrued Salaries and Benefits	122	-0-
Decrease in Interfund Payable	(8,257)	-0-
Increase in Unearned Revenues	9,683	-0-
Pension - Related Changes Other than Periodic Pension Costs	13,400	-0-
OPEB - Related Changes Other than Periodic OPEB Costs	2,000	-0-
Total Adjustments	**55,906**	**53,271**
Net Cash Used by Operating Activities	**$ (453,852)**	**$ (21,763)**
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
NONCASH NONCAPITAL and RELATED FINANCING ACTIVITIES		
Receipt of USDA Donated Commodities	28,956	-0-

See notes to financial statements.

Pequea Valley School District

STATEMENT of NET POSITION -
FIDUCIARY FUNDS
June 30, 2020

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ -0-	$ 41,553
Other Receivables	-0-	1,108
Investments	106,490	22,096
Due from Other Funds	-0-	507
TOTAL ASSETS	**106,490**	**65,264**
LIABILITIES		
Accounts Payable	-0-	3,308
Due to Other Funds	-0-	308
Other Current Liabilities	-0-	58,507
Interest Payable	-0-	3,141
TOTAL LIABILITIES	**-0-**	**65,264**
NET POSITION		
Restricted for Scholarships	**$ 106,490**	**$ -0-**

See notes to financial statements.

Pequea Valley School District

STATEMENT of CHANGES in NET POSITION -
FIDUCIARY FUNDS
Year Ended June 30, 2020

	Private Purpose Trust Fund
ADDITIONS	
Investment Earnings	**$ 1,269**
DEDUCTIONS	
Scholarships Awarded	**2,850**
CHANGES in NET POSITION	**(1,581)**
NET POSITION	
Beginning	108,071
Ending	**$ 106,490**

See notes to financial statements.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Pequea Valley School District, (the School District) located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in Leacock, Paradise, and Salisbury Townships. These include regular, advanced academic, vocational education programs, and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of two elementary schools, one middle school, and one high school, serving approximately 1,500 students.

The accounting policies of **Pequea Valley School District** conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

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

The School District is financially accountable for:

1. Organizations that make up its legal entity.

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

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

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

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

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

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures

Lancaster County Career and Technology Center

The School District is one of 16 member school districts of the Lancaster County Career and Technology Centers (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the area Career and Technology Center Board for Lancaster County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2020, was approximately $415,000. Complete general purpose financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Lancaster County Career and Technology Center Authority

The School District is also a member of the Lancaster County Career and Technology Center Authority (Authority). In 1968, the Authority entered into an agreement with the member school districts and the Career and Technology Center Board to acquire land and construct buildings to provide the facilities for the operation of LCCTC. In 1995, the Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the LCCTC facilities. In 1998, the Authority entered into an additional agreement with the member school districts and the Authority Board to advance refund the Authority's 1995 bonds. The School District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements as more fully described in Note 11. The School District's lease payment to the Authority for the year ended June 30, 2020, was $58,446, which has been reported in the School District's general fund. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Lancaster-Lebanon Joint Authority

The School District is a member of the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P. L. 382, as amended, by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit 13. The Authority is not reported as part of the School District's reporting entity. The School District did not have any financial transactions with the Authority during the year ended June 30, 2020. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster-Lebanon Intermediate Unit (LLIU)

The LLIU Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' boards of directors. **Pequea Valley School District** is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures (Continued)

Lancaster-Lebanon Intermediate Unit (LLIU) (Continued)
Pequea Valley School District contracts with the LLIU for special education services for School District students. The amount paid for these services for the year ended June 30, 2020, was approximately $875,000. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau (Bureau)
The School District participates with 17 other school districts and the municipalities represented by those school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee and 17 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made monthly. The School District's portion of the operating expenditures for the year ended June 30, 2020, were approximately $32,000. Complete financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

Lancaster-Lebanon Public Schools Employees' Healthcare Consortium (EHCC)
The School District participates with 14 other school districts in a self-insured stop-loss pool. The School District is self-insured for claims up to $100,000. The pool reimburses monies to the School District for individual claims above $100,000 up to $400,000. The pool has commercial insurance for claims greater than $400,000. The School District net contribution to the pool for the year ended June 30, 2020, was approximately $7,400 for administrative fees and approximately $264,000 for excess loss insurance coverage.

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

Basis of Presentation - Financial Statements

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

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

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

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

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

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

The School District reports the following major governmental funds:

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

Capital Project Fund - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

The School District reports the following proprietary funds:

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

Internal Service Fund - This fund is used to account for hospitalization costs which are services provided to the School District employees as benefits.

The School District accounts for assets held by the School District in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

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

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

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

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

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)
Under the modified accrual basis of accounting, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments. Current property taxes measurable at June 30, 2020, which are not intended to finance fiscal 2020 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenues at year end.

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

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

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

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

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

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

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

Investments
The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Taxes Receivable and Deferred Inflows of Tax Revenues
The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. All taxes receivable are considered to be fully collectible (Note 4).

Inventories
Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2020, including the value of commodities donated by the federal government. Any unused commodities donated by the federal government are reported as unearned revenue until used. The School District combines School District and federal commodities inventories.

Capital Assets and Depreciation
The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at acquisition value on the date donated. The School District's capitalization threshold is individual assets with a cost of $4,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

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

Building and Building Improvements	20 - 40 Years
Site Improvements	20 Years
Furniture and Equipment	5 - 12 Years
Vehicles	5 - 10 Years

Long-Term Obligations
In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For governmental funds, that portion of unpaid compensated absences and retirement bonuses that are expected to be paid using expendable, available resources are reported as expenditures in the fund from which the individual earning the leave or bonus is paid, and a corresponding liability reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences and retirement bonuses using the rates in effect at the balance sheet date. The School District has accrued the employer's share of social security and Medicare taxes, when applicable.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. As of June 30, 2020, the School District had no encumbrances.

Pension Plan
Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple-employer defined benefit and defined contribution pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the School Board, Superintendent, or Chief of Finance and Operations.

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

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are available for any purpose.

The School District considers restricted amounts to have been spent when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The School District considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in committed, assigned, and unassigned fund balance classifications could be used. In the case of a deficit, committed and assigned funds would be used before unassigned funds. If there is no deficit, the School District typically uses unassigned funds before committed or assigned funds.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Extraordinary and Special Items
Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

Current Year Changes in Accounting Principles
During the current year, the School District adopted GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The School District's beginning balances and current year results were not affected by the implementation of this new standard.

Pending Changes in Accounting Principles
In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement are effective for the School District's June 30, 2021 financial statements.

In June 2017, GASB issued Statement No. 87, *Leases.* The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the School District's June 30, 2022 financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the School District's June 30, 2022 financial statements.

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

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Changes in Accounting Principles (Continued)

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

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

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

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS

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

> Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
>
> Certain other high-quality bank and corporate instruments.
>
> Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

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

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

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk although the public school code requires that all deposits of the School District which are not insured are collateralized by the depository institution. As of June 30, 2020, $1,895,309 of the School District's bank balance of $2,145,309 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name	1,895,309
	1,895,309

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	1,895,309
Insured Amount	250,000
Bank Balance	2,145,309
Outstanding Checks	(427,263)
Carrying Amount - Bank Balances	1,718,046
Petty Cash	1,450
Total Cash and Cash Equivalents per Financial Statements	**1,719,496**

Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2020, the School District did not hold any investments classified in the fair value hierarchy.

At June 30, 2020, the School District holds the following investments recorded at cost or amortized cost:

Pennsylvania School District Liquid Asset Fund (PSDLAF) Collateralized Flex CD Pool	8,950,000
PSDLAF MAX Series	7,219,095
	16,169,095

The PSDLAF Collateralized Flex CD Pool positions maturities do not exceed one year. The PSDLAF MAX Series balances are liquid.

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

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

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

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

Interest Rate Risk
The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
The School District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the School District investments were rated as:

Investments	Standard & Poor's
PSDLAF MAX Series	AAAm
PSDLAF Collateralized Flex CD Pool	Unrated

Concentration of Credit Risk
The School District places no limit on the amount they may invest in any one issuer. At June 30, 2020, the School District does not have any concentration of credit risk in its investments.

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investments which are subject to custodial credit risk at June 30, 2020.

NOTE 3 - REAL ESTATE TAXES

Based upon assessments provided by the County, the School District contracts with the Lancaster County Tax Collection Bureau for billing and collection of property taxes. The School District tax rate for the year ended June 30, 2020, was 14.95 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2020, follows:

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

NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES

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

The balances at June 30, 2020, are as follows:

	Taxes Receivable	Estimated Uncollectable	Net Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	503,761	-0-	503,761	102,720	401,041
Realty Transfer Taxes	13,767	-0-	13,767	13,767	-0-
Earned Income Taxes	575,876	-0-	575,876	575,876	-0-
	1,093,404	**-0-**	**1,093,404**	**692,363**	**401,041**

NOTE 5 - DUE from OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2020, the following amounts are due from other governmental units:

Due From	General Fund	Internal Service Fund	Total
Federal Grants	152,886	-0-	152,886
State Retirement Subsidy	991,695	-0-	991,695
State Social Security Subsidy	172,402	-0-	172,402
Other State Subsidies	35,083	-0-	35,053
Intermediate Unit	4,297	-0-	4,297
Local	66,981	151,286	218,267
	1,423,344	**151,286**	**1,574,630**

NOTE 6 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2020, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	374,894	468,860
Capital Project Fund	-0-	307
Enterprise Fund - Food Service	-0-	374,279
Internal Service Fund	468,353	-0-
Student Activity Fund	507	308
	843,754	**843,754**

The general fund has interfund receivables that represent other fund expenses that were paid for by the general fund. The general fund has an interfund payable that represents net amounts owed to the student activities fund and internal service fund for outstanding current liabilities. The enterprise fund has an interfund payable that represents amounts owed to the general fund for benefit payments. The internal service fund has an interfund receivable due from the general fund for outstanding liabilities paid by the internal service fund. The student activity fund has an interfund receivable that represents net amounts due from the general fund for outstanding liabilities paid by the student activity fund. The student activity fund has an interfund payable that represents net amounts due to the general fund for outstanding liabilities paid by the general fund.

Interfund transfers for the year ended June 30, 2020, are as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	3,736,400
Debt Service Fund	3,736,400	-0-
	3,736,400	**3,736,400**

Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds.

NOTE 7 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2020, is as follows:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	608,671	-0-	(10,623)	598,048
Construction in Progress	23,986	-0-	(23,986)	-0-
Total Cost	**632,657**	**-0-**	**(34,609)**	**598,048**
Capital Assets Being Depreciated:				
Site Improvements	2,313,242	-0-	-0-	2,313,242
Building and Building Improvements	66,366,461	-0-	-0-	66,366,461
Furniture and Equipment	7,522,993	273,441	(164,411)	7,632,023
Vehicles	267,914	-0-	-0-	267,914
Total Cost	**76,470,610**	**273,441**	**(164,411)**	**76,579,640**
Accumulated Depreciation:				
Site Improvements	1,300,624	95,648	-0-	1,396,272
Building and Building Improvements	32,000,170	1,743,730	-0-	33,743,900
Furniture and Equipment	5,481,332	288,640	(164,411)	5,605,561
Vehicles	212,979	12,484	-0-	225,463
Total Accumulated Depreciation	**38,995,105**	**2,140,502**	**(164,411)**	**40,971,196**
Net Capital Assets Being Depreciated	**37,475,505**	**(1,867,061)**	**-0-**	**35,608,444**
Net Capital Assets	**38,108,162**	**(1,867,061)**	**(34,609)**	**36,206,492**

NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Historical Cost:				
Capital Assets Being Depreciated:				
Equipment	794,632	-0-	-0-	794,632
Accumulated Depreciation:				
Equipment	708,259	19,194	-0-	727,453
Net Capital Assets	**86,373**	**(19,194)**	**-0-**	**67,179**

Depreciation expenses were charged to governmental functions as follows:

Instructional Programs	1,597,678
Instructional Student Support	193,483
Administration and Financial Support Services	75,334
Operation and Maintenance of Plant Services	272,960
Noninstructional Services	1,047
	2,140,502

No interest was capitalized at June 30, 2020. Interest expense of $156,114 was incurred and reported as interest on long-term debt on the statement of activities as of June 30, 2020.

NOTE 8 - ACCRUED SALARIES and BENEFITS

At June 30, 2020, the School District was liable for payroll, payable during July and August 2020, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2020, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and bonuses. The accrual further includes amounts payable to PSERS, as well as social security and retirement payables. Total accrued salaries and benefits reported on the statement of net position are as follows:

	General Fund	Food Service Fund	Total
Accrued Salaries	1,074,233	377	1,074,610
Accrued Social Security	77,949	28	77,977
Accrued Retirement	367,079	129	367,208
PSERS Payable	1,300,359	-0-	1,300,359
	2,819,620	**534**	**2,820,154**

NOTE 9 - UNEARNED REVENUES

Unearned revenues in the general fund consists of miscellaneous funding received, but not yet expended, of $53,777 as of June 30, 2020.

Unearned revenues in the food service fund consists of prepaid lunch sales of $16,864 as of June 30, 2020.

NOTE 10 - LONG-TERM DEBT

General Obligation Debt
The School District issues general obligation debt to provide funds for major capital improvements. These bonds are direct obligations and pledge the full faith and credit of the School District.

On June 20, 2013, the School District issued General Obligation Bonds Series A of 2013 in the amount of $9,730,000. Proceeds of the Series A of 2013 Bonds were used to provide funds to (1) advance refund a portion of the outstanding General Obligation Bonds, Series of 2006, (2) advance refund the outstanding General Obligation Bonds, Series B of 2010, and (3) pay the cost of issuing the bonds. The principal amount outstanding for Series A of 2013 as of June 30, 2020, was $2,595,000 due in various amounts through February 2021.

On March 17, 2015, the School District issued General Obligation Bonds Series of 2015 in the amount of $6,400,000. The proceeds were used to (1) currently refund outstanding General Obligation Bonds, Series A of 2010 and (2) pay the costs and expenses of issuing the bonds. The principal amount outstanding for Series of 2015 as of June 30, 2020, was $370,000 due in various amounts through May 2021.

Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2020, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2020	Due Within One Year
Series A of 2013 Bonds	2/01/2021	.45% - 4.00%	2,595,000	2,595,000
Series of 2015 Bonds	5/15/2021	1.00% - 4.00%	370,000	370,000
			2,965,000	**2,965,000**

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
General Obligation Bonds	6,570,000	-0-	3,605,000	2,965,000
Bond Premium	39,300	-0-	26,790	12,510
Loss on Bond Refunding	(74,766)	-0-	(73,959)	(807)
Capital Lease Obligations	129,539	-0-	129,539	-0-
Accrued Retirement Bonuses	779,398	67,455	69,600	777,253
Estimated Liability for Compensated Absences	996,902	117,587	74,300	1,040,189
	8,440,373	**185,042**	**3,831,270**	**4,794,145**

NOTE 10 - LONG-TERM DEBT (Continued)

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

	Interest	Principal	Total
2021	59,300	2,965,000	3,024,300

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

NOTE 11 - OPERATING LEASES

The School District leases equipment under operating leases ending December 2020 and September 2023. Total lease rental expense for the operating leases reflected in the accompanying financial statements is $124,973 during the year ended June 30, 2020. The lease is secured by the leased computer equipment. Minimum future rental payments under the operating lease in excess of one year as of June 30, 2020, are as follows:

2021	110,181
2022	95,388
2023	15,898
	221,467

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

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

Fiscal Year Ended June 30,	Estimated Future Minimum Rental Payments
2021	58,485
2022	58,435
2023	58,207
2024	57,963
2025	58,114
2026 - 2030	288,998
2031 - 2035	285,137
2036 - 2037	113,720
	979,059

NOTE 12 - COMPENSATED ABSENCES

A summary of the amount recorded as a liability in the governmental activities for compensated absences is as follows as of June 30, 2020:

Accumulated Sick Days	856,689
Accumulated Vacation Days	126,537
Accumulated Personal Days	43,923
Employer Social Security and Medicare, when Applicable	13,040
	1,040,189

NOTE 13 - ACCRUED RETIREMENT BONUSES

Upon voluntary retirement, an administrative, supervisory, or non-supervisory employee with 25 years or more of credited service with PSERS and at least 10 consecutive years employment with the School District will receive a retirement stipend of $600 per year of service, with a maximum of 35 years, if notice is given of their intent to retire by March 1 of the school year in which the retirement is effective. An employee covered under the Collective Bargaining Agreement will receive a retirement stipend of $400 per year of service under the same requirements as noted previously. Upon retirement, amounts due to the retiree are deposited into an individual 403(b) plan. The amount recorded as a liability in the governmental activities for this supplemental retirement benefit was $777,253 at June 30, 2020.

NOTE 14 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

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

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service: or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

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

Member Contributions

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2020, was 33.45% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were $4,608,000 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of $44,818,600 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was .0958%, which was an increase of .0028% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of $5,828,400. At June 30, 2020, the School 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	247,000	1,485,000
Changes in Assumptions	428,000	-0-
Net Difference between Projected and Actual Investment Earnings	-0-	128,000
Change in Proportions	2,119,000	-0-
Difference between Employer Contributions and Proportionate Share of Total Contributions	97,400	15,000
Contributions Subsequent to the Measurement Date	4,608,000	-0-
	7,499,400	**1,628,000**

$4,608,000 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

Year Ended June 30:	
2021	1,288,200
2022	8,200
2023	(111,000)
2024	78,000
	1,263,400

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined by rolling forward PSERS's total pension liability as of the June 30, 2018 to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Long Term Expected Rate of Return: 7.25%, includes inflation at 2.75%
- Actuarial Cost Method: Entry Age Normal, Level Percent of Pay
- Salary Growth: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality Rates: RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

There were no changes in assumptions used in measurement of the total pension liability beginning June 30, 2019. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	4.1%

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Infrastructure/MLPs	8.0%	5.5%
Real Estate	10.0%	4.1%
Alternative Investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	100.0%	

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, 2019.

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's Proportionate Share of the Net Pension Liability	55,825,000	44,818,600	35,497,000

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2020, the School District reported a payable of $1,300,359 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2020. These amounts relate to the second quarter of 2020 and are payable to PSERS within five business days of the School District receiving its related retirement subsidy from the Commonwealth of Pennsylvania.

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

The total School District contribution into the defined contribution plan portion of PSERS was $12,149. for the year ended June 30, 2020. This amount includes both the School District's and employee contributions.

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

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

General Information about the OPEB Plan

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

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Benefits Provided

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

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	17
Inactive Employees Entitled to but not yet Receiving Benefits	-0-
Active Employees	184
	201

Total OPEB Liability

The School District's total OPEB liability of $2,377,000 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation, rolled forward to the July 1, 2019 measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.36%, Based on S&P Municipal Bond 20-Year High Grade Rate Index
Long Term Expected Rate of Return: N/A, the Plan is Unfunded
Actuarial Cost Method: Entry Age Normal, Level Percent of Pay
Healthcare Cost Trend: 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Retirees' Share of Benefit-Related Costs: 100.0% of Premium
Mortality Rates: RP-2014 Mortality Tables (Male and Female) adjusted for mortality improvement

The actuarial assumptions used in the July 1, 2018 valuation and rolled forward to the June 1, 2019 measurement date were based on the results of an actuarial experience study for the period ended July 1, 2018.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Changes in the Total OPEB Liability

Balance, June 30, 2019	**2,299,000**
Changes for the Year	
Service Cost	170,000
Interest	72,000
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	(75,000)
Benefit Payments	(89,000)
Net Changes	**78,000**
Balance, June 30, 2020	**2,377,000**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the School District for the single-employer plan, as well as what the School District's total OPEB liability for the single-employer plan would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

	Total OPEB Liability
2.36% Discount Rate (1.0% Decrease)	2,578,000
3.36% Discount Rate (Current Rate)	2,377,000
4.36% Discount Rate (1.0% Increase)	2,187,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the School District's single-employer plan, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	Total OPEB Liability
4.5% (1% Decrease)	2,053,000
5.5% (Current Rate)	2,377,000
6.5% (1% Increase)	2,767,000

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program
The Pennsylvania Public School Employees' Retirement System (System) provides Premium Assistance which is a governmental cost-sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

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

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

Benefits Provided
Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Contributions
The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were $116,000 for the year ended June 30, 2020.

OPEB Liabilities and OPEB Expense
At June 30, 2020, the School District reported a liability of $2,038,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.0958%, which was an increase of 0.0028% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of $122,000 related to this plan.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined by rolling forward the System's total OPEB Liability as of June 30, 2018 to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method: Entry age normal, level percent of pay
- Investment Return: 2.79%, based on the 20-year S&P municipal bond rate
- Salary Growth: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at $1,200 per year
- Assumed Healthcare Cost Trends: Applied to retirees with less than $1,200 in Premium Assistance per year
- Mortality Rates: RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale
- Participation Rate:
  - Eligible retirees will elect to participate pre-age 65 at 50%
  - Eligible retirees will elect to participate post-age 65 at 70%

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016, determined the employer contribution rate for fiscal year 2019
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market Value
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.20%	0.20%
US Core Fixed Income	83.10%	1.00%
Non-US Developed Fixed	3.70%	0.00%
	100.00%	

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, 2019.

Discount Rate
The discount rate used to measure the total OPEB liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20-year municipal bond rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

	Net OPEB Liability
1.79% Discount Rate (1.0% Decrease)	2,321,000
2.79% Discount Rate (Current Rate)	2,038,000
3.79% Discount Rate (1.0% Increase)	1,802,000

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates
Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped as a maximum of $1,200. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has minimal impact on the following healthcare cost trends.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

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

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

Net OPEB Liability

1% Decrease	2,037,000
Current Rate	2,038,000
1% Increase	2,038,000

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PSERS comprehensive annual financial report, available at http://www.psers.pa.gov.

AGGREGATE OPEB INFORMATION

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

For the year ended June 30, 2020, the School District recognized OPEB expense of $430,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions and Benefit Payments After the Measurement Date	204,000	-0-
Difference Between Expected and Actual Experience	869,000	-0-
Changes of Assumptions	68,000	131,000
Changes in Proportion	107,000	-0-
	1,248,000	**131,000**

$204,000 reported as deferred outflows of resources related to OPEB resulting from the School District's benefit payments after the measurement date of the single-employer plan and contributions after the measurement date of the cost-sharing multiple-employer plan will be recognized as a reduction in the total or net OPEB liability, respectively, in the year ended June 30, 2021.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

AGGREGATE OPEB INFORMATION (Continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase (decrease) in OPEB expense as follows:

Year Ended June 30:	
2021	86,000
2022	87,000
2023	87,000
2024	86,000
2025	92,000
Thereafter	475,000
	913,000

NOTE 16 - RISK MANAGEMENT

Hospitalization

The School District participates in the insurance consortium with the Lancaster-Lebanon Intermediate Unit 13 (the LLIU) to provide for the medical care for eligible employees and their dependents. The School District remits funds to the LLIU. The LLIU deposits the funds into the School District trust account to be held for the benefits described above, and Aetna, the plan administrator, upon receiving funds from the trust account, processes and pays the claims. The School District is limited in liability for claims to $100,000 per individual and $4,330,590 in total per year.

A liability for claims incurred prior to June 30, 2020, and subsequently paid is recorded in the amount of $221,376 in other current liabilities in the internal service fund.

Changes in the School District's claims liability amount in fiscal years 2020 and 2019 are:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2019 - 2020	299,783	3,935,870	4,014,277	221,376
2018 - 2019	193,810	3,279,770	3,173,797	299,783

Workers' Compensation

The School District participates in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund) which is a cooperative voluntary trust arrangement for 16 member school districts and the Lancaster-Lebanon Intermediate Unit. This agreement states that the School District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses, and providing self-insurance and reinsurance thereof.

NOTE 16 - RISK MANAGEMENT (Continued)

Workers' Compensation (Continued)
It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance.

As of June 30, 2020, the School District is not aware of any additional assessments relating to the Fund.

Other Risks
The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2020, and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 17 - FUND BALANCE CLASSIFICATIONS

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

General Fund - Nonspendable Prepaid Expenses	171,689

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

Committed fund balances represent fund balances that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority.

At June 30, 2020, the School District has included the following as committed fund balances:

General Fund - Committed to Offset Future Retirement Contributions	5,300,000
General Fund - Committed for Future Health Care Increases	2,900,000
	8,200,000

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or a body to which the governing body delegates the authority. At June 30, 2020, the School District has included the following as assigned fund balance:

Capital Project Fund - Assigned for Capital Outlays	2,053,277

NOTE 18 - CONTINGENCIES and COMMITMENTS

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

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

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

Transportation Contract
The School District has entered into an agreement for the transportation of school pupils. The agreement is for the period of July 1, 2016 through June 30, 2026. The contractor provides all equipment and labor necessary. The cost for the transportation services will be determined based on rate schedules included in the contract which are subject to annual CPI increases based on the transportation cost index adjustment determined by the Department of Education, but not less than 3.0% for the duration of the contract. The transportation services expense related to this contract was approximately $2,100,000 for the year ended June 30, 2020, which included a cost reduction from the original contract based on an amended agreement due to COVID-19 impact.

Maintenance Agreement
The School District has entered into an agreement for the maintenance of the schools buildings. The agreement is for the period of August 16, 2017 through August 16, 2022. The contractor will provide cleaning services to the School District’s buildings. Estimated monthly costs are $29,500. The maintenance services expense related to this contract was approximately $355,000 for the year ended June 30, 2020.

Collective Bargaining Agreement
The School District has entered into a collective bargaining agreement with the Pequea Valley Education Association. The agreement is effect is for the period of July 1, 2015 through June 30, 2020. The agreement stipulates the overall working conditions as well as the provisions for wages and employee benefits for the School District's professional staff for the term of the contract.

In October 2019, the School District entered into a new collective bargaining agreement for the period July 1, 2020 through June 30, 2025.

NOTE 19 - TAX ABATEMENTS

The Pennsylvania General Assembly enacted the Keystone Opportunity Zone (KOZ) Act Program authorizing certain exemptions, abatements, credits, and deductions from certain state and local taxes within the state in order to promote economic development and job creation. The School District entered into property tax abatement with a local business under the KOZ Program that commenced on January 1, 2014, and will conclude on December 31, 2023, and an additional abatement that commenced on January 1, 2019, and will conclude on December 31, 2028. The property tax abatements are equal to 100% of the real property tax on the assessed value of property within the Keystone Opportunity Expansion Zone. The abatement is available only as long as the initial qualified business obtains annual renewal of its certification as a qualified business from the Pennsylvania Department of Community and Economic Development, and is not transferable.

If the initial qualified business relocates within the first five years, the qualified business shall refund to the School District the real estate tax from which it was exempted based on percentages set forth in the Act, unless waived pursuant to the Act. During the terms of this agreement, the local business will make an annual payment in lieu of real estate taxes, which increases annually by the increase in tax levy mills for the fiscal year.

For the year ended June 30, 2020, the School District abated approximately $598,000 of property taxes under this agreement.

NOTE 20 - SUBSEQUENT EVENTS

On September 10, the School District approved a resolution to extend the deadline for the payment of the School District real estate taxes without penalty during the base period until December 31, 2020.

Pequea Valley School District

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL -
GENERAL FUND
Year Ended June 30, 2020

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Local Sources:				
Real Estate Taxes	$ 25,053,748	$ 25,053,748	$ 25,224,680	$ 170,932
Other Taxes	2,723,000	2,723,000	2,936,741	213,741
Investment Earnings	200,000	200,000	288,941	88,941
Other Revenue	468,600	468,600	557,426	88,826
Total Local Sources	28,445,348	28,445,348	29,007,788	562,440
State Sources	8,876,770	8,876,770	8,725,158	(151,612)
Federal Sources	1,234,147	1,356,484	1,393,117	36,633
Total Revenues	**38,556,265**	**38,678,602**	**39,126,063**	**447,461**
EXPENDITURES				
Instructional Services:				
Regular Programs	15,387,800	15,389,081	14,709,086	679,995
Special Programs	4,468,347	4,486,952	5,077,081	(590,129)
Vocational Programs	940,186	938,955	731,300	207,655
Other Instructional Programs	288,329	338,610	472,861	(134,251)
Nonpublic School Programs	104,200	180,158	66,393	113,765
Total Instructional Services	**21,188,862**	**21,333,756**	**21,056,721**	**277,035**
Support Services:				
Pupil Personnel Services	1,513,652	1,523,395	1,539,511	(16,116)
Instructional Staff Services	2,025,365	2,190,531	2,119,069	71,462
Administrative Services	2,396,137	2,400,429	2,571,616	(171,187)
Pupil Health	418,469	417,399	441,167	(23,768)
Business Services	663,795	662,505	655,051	7,454
Operation of Plant and Maintenance Services	2,871,472	2,645,731	2,756,499	(110,768)
Student Transportation Services	2,480,734	2,480,945	2,174,085	306,860
Central and Other Business Services	278,875	279,453	251,326	28,127
Other Support Services	28,000	28,000	19,680	8,320
Total Support Services	**12,676,499**	**12,628,388**	**12,528,004**	**100,384**
Noninstructional Services:				
Student Activities	643,817	644,034	753,281	(109,247)
Community Services	33,961	43,961	50,649	(6,688)
Total Noninstructional Services	**677,778**	**687,995**	**803,930**	**(115,935)**
Debt Service:				
Capital Lease Principal and Interest	**-0-**	**-0-**	**206,680**	**(206,680)**
Total Expenditures	**34,543,139**	**34,650,139**	**34,595,335**	**54,804**
EXCESS of REVENUES OVER EXPENDITURES	**4,013,126**	**4,028,463**	**4,530,728**	**502,265**
OTHER FINANCING SOURCES (USES)				
Debt Service Fund Transfer	(3,797,937)	(3,797,937)	(3,736,400)	61,537
Other Fund Transfers	(405,116)	(405,116)	-0-	405,116
Proceeds from Sale of Capital Assets	-0-	-0-	191,051	191,051
Refund of Prior Year Expenditures	-0-	-0-	(2,856)	(2,856)
Net Other Financing Uses	**(4,203,053)**	**(4,203,053)**	**(3,548,205)**	**654,848**
NET CHANGES in FUND BALANCES	**$ (189,927)**	**$ (174,590)**	**982,523**	**$ 1,157,113**
FUND BALANCES				
Beginning			11,563,561	
Ending			**$ 12,546,084**	

See independent auditors' report.

Pequea Valley School District follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by the PDE. Prior to that deadline, management submits to the School Board, for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The School Board determines if it will approve a resolution to keep any tax increase below the index.

2. If the School Board adopts the resolution, prior to May 31, management submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.

3. A public hearing is conducted to obtain taxpayer comments.

4. If the School Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance to the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.

5. Prior to June 30, the budget is legally enacted through adoption of a resolution.

6. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.

7. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.

8. Unused appropriations lapse at the end of each fiscal year; however, the School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2020.

9. The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

10. Where applicable, unbudgeted federal and state revenues and expenditures have been added to the original budgeted revenues and expenditures.

Pequea Valley School District

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

	2020	2019	2018
Total OPEB Liability			
Service Cost	$ 170,000	$ 91,000	$ 90,000
Interest	72,000	40,000	33,000
Change of Benefit Terms	-0-	-0-	-0-
Differences Between Expected and Actual Experience	-0-	1,000,000	-0-
Change of Assumptions	(75,000)	1,000	2,000
Benefit Payments	(89,000)	(84,000)	(221,000)
Net Change in Total OPEB Liability	**78,000**	**1,048,000**	**(96,000)**
Total OPEB Liability - Beginning	2,299,000	1,251,000	1,347,000
Total OPEB Liability - Ending	**$ 2,377,000**	**$ 2,299,000**	**$ 1,251,000**
Covered Payroll	12,797,939	12,797,939	10,000,537
Total OPEB Liability as a Percentage of Covered Payroll	18.57%	17.96%	12.51%

Note: Information is not available prior to 2018.

See independent auditors' report.

Funding:

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

Changes of Assumptions:

Measurement period ending June 30, 2019:

Discount rate was reduced from 2.98% to 3.36%.

Measurement period ending June 30, 2018:

Discount rate was reduced from 3.13% to 2.98%.

The marriage assumption was lowered from 70% to 50%.

Measurement period ending June 30, 2017:

Discount rate was increased from 2.49% to 3.13%.

Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

See independent auditors' report.

Pequea Valley School District

SCHEDULE of EMPLOYER CONTRIBUTIONS -
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
Last 10 Fiscal Years

Fiscal Year Ended June 30	Contractually Required Contributions	Contributions from Employer	Contributions Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	99,000	99,000	-0-	10,967,393	0.90%
2016	97,000	97,000	-0-	11,480,587	0.84%
2017	102,000	102,000	-0-	12,291,107	0.83%
2018	104,000	104,000	-0-	12,520,972	0.83%
2019	109,000	109,000	-0-	13,214,541	0.82%
2020	116,000	116,000	-0-	13,764,948	0.79%

Note: Information is not available prior to 2015.

See independent auditors' report.

Pequea Valley School District

NOTES to REQUIRED SUPPLEMENTARY INFORMATION -
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
Last 10 Fiscal Years

Changes of Assumptions:

Measurement period ending June 30, 2019:

Discount rate was decreased from 2.98% to 2.79%

Measurement period ending June 30, 2017:

Discount rate was decreased from 3.13% to 2.98%.

Measurement period ending June 30, 2016:

Discount rate was increased from 2.71% to 3.13%.

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

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

See independent auditors' report.

Pequea Valley School District

SCHEDULE of the SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET OPEB LIABILITY -
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
Last 10 Fiscal Years

Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered-Employee Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2016	0.0886%	1,908,000	11,480,587	16.62%	5.47%
2017	0.0924%	1,883,000	12,305,469	15.30%	5.73%
2018	0.0930%	1,939,000	12,520,972	15.49%	5.56%
2019	0.0958%	2,038,000	13,214,541	15.42%	5.56%

Note: Information is not available prior to 2016.

See independent auditors' report.

Pequea Valley School District

SCHEDULE of EMPLOYER CONTRIBUTIONS -
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Defined Benefit Pension Plan:					
2011	584,567	584,567	-0-	11,691,348	5.00%
2012	957,237	957,237	-0-	11,965,457	8.00%
2013	1,341,437	1,341,437	-0-	11,377,079	11.79%
2014	1,716,414	1,716,414	-0-	10,915,904	16.00%
2015	2,199,016	2,199,016	-0-	10,967,393	20.50%
2016	2,818,386	2,818,386	-0-	11,480,587	25.00%
2017	3,675,000	3,675,000	-0-	12,291,107	29.20%
2018	3,974,000	3,974,000	-0-	12,520,972	31.74%
2019	4,326,000	4,326,000	-0-	13,214,541	32.60%
2020	4,608,000	4,608,000	-0-	13,764,948	33.36%

See independent auditors' report.

Pequea Valley School District

SCHEDULE of SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0855%	33,842,000	10,915,904	310.02%	57.24%
2015	0.0852%	36,905,000	10,967,393	336.50%	54.36%
2016	0.0886%	43,907,000	11,480,587	382.45%	50.14%
2017	0.0924%	45,635,000	12,291,107	371.28%	51.84%
2018	0.0930%	44,645,000	12,520,972	356.56%	54.00%
2019	0.0958%	44,818,600	13,214,541	339.16%	55.66%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based on measurement date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

Changes of Benefit Terms:

Measurement period ending June 30, 2017:

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

Changes of Assumptions:

Measurement period ending June 30, 2016:

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

Inflation assumption was decreased from 3.00% to 2.75%.

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

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

Pequea Valley School District

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

Year Ended June 30, 2020

Federal Grantor Child Nutrition Cluster	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - School Breakfast Program (Note 6)	I	10.553	N/A	07/01/19 - 06/30/20	N/A	$ -0-	$ 16,701	$ 16,701	$ -0-	$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	-0-	66,236	66,236	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/18 - 06/30/19	N/A	13,862	13,862	-0-	-0-	-0-
			Total	**10.553**				**13,862**	**96,799**	**82,937**	**-0-**	**-0-**
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program (Note 6)	I	10.555	N/A	07/01/19 - 06/30/20	N/A	-0-	55,057	55,057	-0-	
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	-0-	202,054	202,054	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/18 - 06/30/19	N/A	45,434	45,434	-0-	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program (Note 2)	I	10.555	N/A	07/01/19 - 06/30/20	N/A	-0- A)	28,956 B)	28,956 C)	-0- D)	-0-
			Total	**10.555**				**45,434**	**331,501**	**286,067**	**-0-**	**-0-**
			Total Child Nutrition Cluster					**59,296**	**428,300**	**369,004**	**-0-**	**-0-**
U.S. Department of Treasury	County of Lancaster	Coronavirus Relief Fund	**I**	**21.019**	N/A	03/01/20 - 12/30/20	50,790	**-0-**	**-0-**	**12,802**	**12,802**	**-0-**
Special Education Cluster (IDEA)												
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education Grants to States	I	84.027	062-200013	07/01/19 - 09/30/20	375,115	-0-	375,115	375,115	-0-	-0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education Preschool Grants	I	84.173	131-190013	07/01/19 - 06/30/20	1,870	-0-	1,870	1,870	-0-	-0-
			Total Special Education Cluster (IDEA)					**-0-**	**376,985**	**376,985**	**-0-**	**-0-**
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-200332	07/18/19 - 09/30/20	997,730	-0-	798,161	846,890	48,729	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-190332	07/01/18 - 09/30/19	992,582	128,635	205,152	68,629	(7,888)	-0-
			Total	**84.010**				**$ 128,635**	**$ 1,003,313**	**$ 915,519**	**$ 40,841**	**$ -0-**

See independent auditors' report.

Pequea Valley School District

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2020

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-200332	07/18/19 - 09/30/20	181,069	$ -0-	$ 181,069	$ 155,175	$ (25,894)	$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants (Note 5)	I	84.367	020-190332	07/01/18 - 09/30/20	173,717	(26,867)	-0-	18,954	(7,913)	-0-
			Total	**84.367**				**(26,867)**	**181,069**	**174,129**	**(33,807)**	**-0-**
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-200332	07/01/19 - 09/30/20	74,059	-0-	74,059	70,159	(3,900)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-190332	07/01/18 - 09/30/19	61,514	1,598	28,707	27,109	-0-	-0-
			Total	**84.424**				**1,598**	**102,766**	**97,268**	**(3,900)**	**-0-**
Medicaid Cluster												
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/19 - 09/30/20	N/A	-0-	3,662	8,707	5,045	-0-
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/18 - 09/30/19	N/A	4,839	4,839	-0-	-0-	-0-
			Total Medicaid Cluster					**4,839**	**8,501**	**8,707**	**5,045**	**-0-**
			TOTAL EXPENDITURES of FEDERAL AWARDS					**$ 167,501**	**$ 2,100,934**	**$ 1,954,414**	**$ 20,981**	**$ -0-**

Legend

I = Indirect funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

Pequea Valley School District

SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2020

NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 3 - DE MINIMIS INDIRECT COST RATE

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

NOTE 4 - ACCESS

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2020 was $98,382 listed on the PDE confirmation as program #044-007332.

NOTE 5 - RETURN of FUNDS

The amount listed in the ending accrued (deferred) revenue includes $4,184 of funds which were returned to the grantor agency during the year ended June 30, 2020 and were reflected on the PDE confirmation. The remaining amounts were deferred in the funds for use for the year ending June 30, 2021.

NOTE 6 - COVID-19

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

See independent auditors' report.

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

To the Board Officers and Members
Pequea Valley School District
Lancaster County, 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 **Pequea Valley School District,** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **Pequea Valley School District's** basic financial statements and have issued our report thereon dated November 18, 2020.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered **Pequea Valley 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 **Pequea Valley School District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Pequea Valley School District's** internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Pequea Valley 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.

Trout CPA

November 18, 2020
Lancaster, Pennsylvania

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

To the Board Officers and Members
Pequea Valley School District
Lancaster County, Pennsylvania

Report on Compliance for Each Major Federal Program
We have audited **Pequea Valley School District's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on **Pequea Valley School District's** major federal program for the year ended June 30, 2020. **Pequea Valley School District's** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, **Pequea Valley School District** has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Trout CPA

November 18, 2020

Lancaster, Pennsylvania

Pequea Valley School District

SCHEDULE of FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2020

A. Summary of Auditors' Results

1. The independent auditors' report expresses unmodified opinions on the financial statements of **Pequea Valley School District.**

2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of **Pequea Valley School District** were disclosed during the audit.

4. No material weaknesses or significant deficiencies relating to the audit of the major federal program are reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The independent auditors' report on compliance for the major federal award program for **Pequea Valley School District** expresses an unmodified opinion.

6. Audit findings relative to the major federal award program for **Pequea Valley School District** are reported in part C of this schedule.

7. The program tested as a major program is: Title I Grants to Local Educational Agencies - CFDA #84.010.

8. The threshold for distinguishing type A and B programs was $750,000.

9. **Pequea Valley School District** was not determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Programs Audit

None

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Pequea Valley School District

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

Material Weakness

#2019-001 - Retainage Payable

Condition: We identified that retainage payable from the previous year was not reversed in the current year as the project was completed. An adjusting journal entry was proposed to and accepted by management to reverse retainage payable of $33,882 to reflect the appropriate balances at year end.

Recommendation: The School District should review retainage payable in the capital projects fund at year end to determine the appropriate balance based on any open construction contracts.

Current Status: For the year ended June 30, 2020, there were no items to record in relation to retainage. As such, this is no longer an issue for the School District.