Pequea Valley School District

Year Ended June 30, 2022

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Pequea Valley School District

Financial Statements with Supplementary Information

Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Pequea Valley School District** (the School District), as of and for the year ended June 30, 2022, 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.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Pequea Valley School District's** basic financial statements. The schedule of expenditures of federal awards, 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,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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, 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

December 22, 2022
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, 2022. 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 2021-2022 fiscal year were expected to increase by 10.32% from the previous year's expenditures and financing uses original budget based on the current year original budget. At year end, actual expenditures and uses were 2.82% less than final budget, and revenues were greater than final budget by 4.71%. Revenues exceeded expenses in the amount of $7,345,083 for the 2021-2022 fiscal year. There were transfers out of the general fund of $4,098,056 to the debt service fund, and transfers in from the internal service fund of $1,039,275 and proceeds from sale of assets in the amount of $44,392. This resulted in a net increase in fund balance of $4,330,694.

Based on final budgeted amounts, instructional services expenses were higher than budgeted by $1,335,254 or 6.13% and support services were higher than budgeted by $537,785 or 4.08%. The reason for both instructional and support expenses being higher than budgeted was due to an increase in services needed in these areas. Both of these variances were not anticipated at the time of budget.

Based on final budgeted amounts, total revenues were $2,029,492 higher than budgeted. Local revenue was $1,229,080 or 4.14% higher than budgeted. Real estate and other taxes attributed to $1,146,527 of this increase with interest on investments being less than budgeted in the amount of ($190,837) and other revenue accounting for $273,390 of the increase. State revenue was $157,802 more than budgeted and federal revenue was $642,610 more than budgeted. Due to the COVID-19 pandemic, additional federal funds were provided to the School District in order to help with the pandemic mitigation efforts.

During the current year, the School District adopted GASB Statement No. 87, Leases. The primary objectives of this statement are to improve accounting and financial reporting for leases by enhancing comparability of financial statements between governments, and improve the relevance, reliability, and consistency of information related to such leasing activities. Lease liabilities were measured using the remaining term and discount rate at July 1, 2021, and right-to-use assets were measured based on the liability.

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.

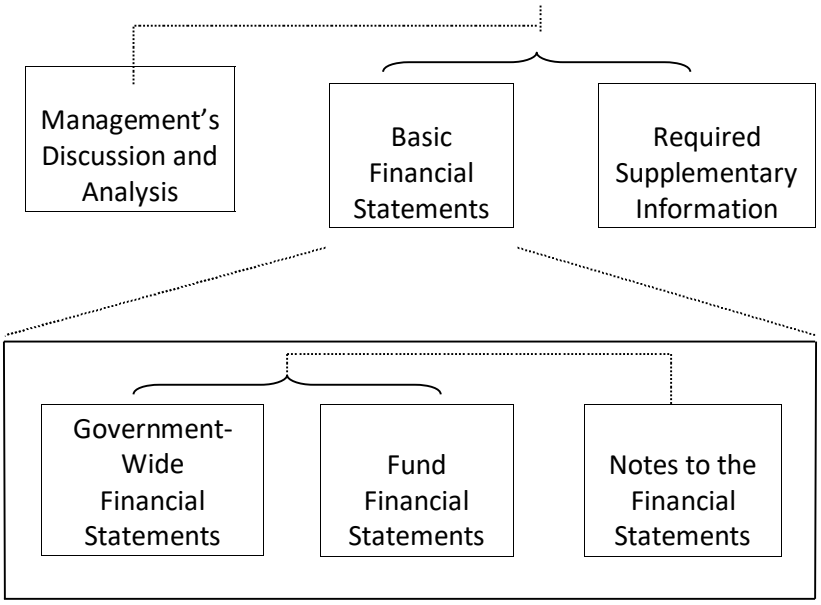
Using this Annual Report (Continued)

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.

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



See independent auditors' 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
Scope	Entire School District	The activities of the School District that are not proprietary, such as education, administration, and community services	Activities the School District operates similar to private business - food service and internal services funds
Required financial statements	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows
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
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
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

Overview of Financial Statements

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

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

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

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

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

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

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

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

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.

See independent auditors' report.

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.

Financial Analysis of the School District as a Whole

The School District's total net position was $12,031,319 as of June 30, 2022. The negative unrestricted net position is due to GASB 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of an approximately $38.8 million net pension liability at June 30, 2022, and a significant footnote disclosure found in Note 14.

Table A-1
Fiscal Years Ended June 30, 2022 and 2021
Net Position

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	111,599,380	372,013	111,971,393	82,007,374	115,146	82,122,520
Capital Assets and Other Noncurrent Assets	38,272,892	28,791	38,301,683	36,363,639	47,985	36,411,624
Total Assets	**149,872,272**	**400,804**	**150,273,076**	**118,371,013**	**163,131**	**118,534,144**
Deferred Outflows of Resources	**9,047,000**	**95,500**	**9,142,500**	**10,180,000**	**107,500**	**10,287,500**
Current and Other Liabilities	8,372,677	29,422	8,402,099	7,237,980	11,659	7,249,639
Long-Term Liabilities	129,984,158	458,000	130,442,158	113,049,540	557,600	113,607,140
Total Liabilities	**138,356,835**	**487,422**	**138,844,257**	**120,287,520**	**569,259**	**120,856,779**
Deferred Inflows of Resources	**8,450,000**	**90,000**	**8,540,000**	**1,481,000**	**15,000**	**1,496,000**

See independent auditors' report.

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

Table A-1
Fiscal Years Ended June 30, 2022 and 2021
Net Position

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Net Position:						
Net Investment in Capital Assets	35,106,385	28,791	35,135,176	34,202,108	47,985	34,250,093
Unrestricted	(22,993,948)	(109,909)	(23,103,857)	(27,419,615)	(361,613)	(27,781,228)
Total Net Position	**12,112,437**	**(81,118)**	**12,031,319**	**6,782,493**	**(313,628)**	**6,468,865**

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 17 and 18. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues.

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, 2022 and 2021
Changes in Net Position

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	274,737	127,650	402,387	147,003	81,155	228,158
Operating Grants and Contributions	11,293,362	895,353	12,188,715	8,294,272	435,215	8,729,487
Capital Grants and Contributions	26,526	-0-	26,526	185,412	-0-	185,412
General Revenues:						
Property Taxes	26,626,091	-0-	26,626,091	26,077,938	-0-	26,077,938
Other Taxes	3,508,737	-0-	3,508,737	3,216,329	-0-	3,216,329
Grants, Subsidies, and Contributions, Unrestricted	3,360,138	-0-	3,360,138	3,282,552	-0-	3,282,552
Other	17,206	383	17,589	94,832	346	95,178
Total Revenues	**45,106,797**	**1,023,386**	**46,130,183**	**41,298,338**	**516,716**	**41,815,054**
Expenses:						
Instructional Programs	23,737,156	-0-	23,737,156	24,505,369	-0-	24,505,369
Instructional Student Support	4,178,706	-0-	4,178,706	4,920,350	-0-	4,920,350
Administrative and Financial Support Services	3,388,642	-0-	3,388,642	3,830,389	-0-	3,830,389
Operation and Maintenance of Plant Services	3,357,804	-0-	3,357,804	3,137,358	-0-	3,137,358
Pupil Transportation	2,550,854	-0-	2,550,854	2,368,441	-0-	2,368,441
Student Activities	868,275	-0-	868,275	782,531	-0-	782,531
Community Services	60,689	-0-	60,689	44,350	-0-	44,350
Interest on Long-Term Debt	1,634,727	-0-	1,634,727	476,664	-0-	476,664
Food Services	-0-	790,876	790,876	-0-	640,384	640,384
Total Expenses	**39,776,853**	**790,876**	**40,567,729**	**40,065,452**	**640,384**	**40,705,836**
Increase (Decrease) in Net Position	**5,329,944**	**232,510**	**5,562,454**	**1,232,886**	**(123,668)**	**1,109,218**

See independent auditors' report.

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, 2022 and 2021
Governmental Activities

	2022		2021	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Instructional Programs	23,737,156	14,734,290	24,505,369	18,653,170
Instructional Student Support	4,178,706	3,707,732	4,920,350	4,509,516
Administrative and Financial Support Services	3,388,642	3,019,389	3,830,389	3,478,488
Operation and Maintenance of Plant Services	3,357,804	3,158,950	3,137,358	2,713,120
Pupil Transportation	2,550,854	1,267,230	2,368,441	1,113,832
Student Activities	868,275	672,212	782,531	655,278
Community Services	60,689	14,224	44,350	24,109
Interest on Long-Term Debt	1,634,727	1,608,201	476,664	291,252
Total Governmental Activities	**39,776,853**	**28,182,228**	**40,065,452**	**31,438,765**
Unrestricted Grants, Subsidies		**(3,360,138)**		**(3,282,552)**
Total Needs from Local Taxes and Other Revenues		**24,822,090**		**28,156,213**

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, 2022 and 2021
Business-Type Activities

	2022		2021	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Food Services	790,876	(232,127)	640,384	124,014

See independent auditors' report.

Financial Analysis of the School District as a Whole (Continued)
The decrease in the net cost of services is primarily related to an increase in the national food lunch program allocation as well as supply chain relief funds that offset the increase in total costs. Additionally, there was an increase in participation as school became more normalized since the COVID-19 pandemic. 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, 2022, the School District's governmental funds reported a combined fund balance of $105,822,230 which is an increase of $29,606,440 from the previous year. The primary reason for this increase is due to the net increase of $25,547,923 within the capital projects fund, as a result of the issuance of the General Obligation Bonds Series of 2022 to finance various capital projects of the School District.

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, 2021, the School District had a total outstanding bond principal of $55,400,000. During the year, the School District made payments against principal in the amount of $2,050,000. Additionally, the School District borrowed $29,265,000 through the issuance of the General Obligation Bonds Series of 2022. Current year debt service activity resulted in an ending outstanding debt as of June 30, 2022, of $82,615,000.

Table A-5
Outstanding Debt

	2022	2021
Issue:		
Series of 2021	53,350,000	55,400,000
Series of 2022	29,265,000	-0-
	82,615,000	**55,400,000**

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.

See independent auditors' report.

Debt Administration and Capital Assets (Continued)

Capital Assets

As of June 30, 2022, the School District had $38,272,892 invested in a broad range of capital assets, including land, buildings, furniture, and equipment for governmental activities. This amount represents a net increase (including additions, deletions, and depreciation) of $1,702,140. The School District is in the process of designing a new Middle/High school building to be located in the center of the current Intermediate/High school campus. Bids were received in August of 2022 and construction should begin in December of 2022. The two existing buildings will then be partially raised and partially renovated with completion sometime in 2026.

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

	2022	2021
Land and Site Improvements	1,325,314	1,420,166
Building and Building Improvements	30,048,338	30,879,637
Furniture and Equipment	1,910,597	2,243,205
Vehicles	105,219	122,613
Construction in Process	4,768,363	1,698,018
Right-to-Use Lease Asset	115,061	-0-
	38,272,892	**36,363,639**

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.

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

In the 2022-2023 budget, the School District increased expenditures and financing uses by 5.8% from the original budget in the previous year. The majority of the increase, $1,061,426, was in debt service, which was used to cover the two borrowings that occurred over the last two years. The School District will use fund balance in order to offset the increased debt. Debt service was funded at the original 2020 level of $4,203,053 in order not to have a tax increase due to the additional borrowing. The School District intends to reduce unrestricted fund balance by using it to offset the additional debt costs. Additionally, the School District plans to utilize any excess funds in future years to fund future capital projects.

Budgeted revenue for the 2022-2023 school year is 3.31% higher than the original budget in the previous fiscal year. The primary cause of the increase is due to additional local funds obtained through the 2.53% millage rate increase. The millage increase for the 2022-2023 fiscal year was well under the allowable 3.4% act 1 index. Local revenue continues to provide the majority of funding for School District expenses as noted below.

The School District will continue to use the provided COVID-19 relief funds to offset expenditures related to the COVID-19 mitigation efforts. Any revenues that exceed expenditures at year end will be committed to future capital projects. The School District is hoping that by saving for future capital projects the School District will not need to borrow additional funds to complete such projects.

The comparison of revenue and expenditure categories is as follows:

Table A-7
Budgeted Revenues

	2022-2023	2021-2022
Local Sources	69.3%	68.9%
State Sources	19.7%	19.7%
Federal/Other Sources	11.0%	11.4%

Budgeted Expenditures

	2022-2023	2021-2022
Instruction	49.5%	50.6%
Support Services	29.9%	30.7%
Non-Instruction/Community	2.0%	1.9%
Fund Transfers/Debt/ Budgetary Reserve	18.6%	16.8%

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.

See independent auditors' report.

Pequea Valley School District

STATEMENT of NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 1,507,330	$ 203,017	$ 1,710,347
Investments	105,940,390	464,931	106,405,321
Taxes Receivable, net	1,073,137	-0-	1,073,137
Internal Balances	428,344	(428,344)	-0-
Due from Other Governments	2,475,165	105,773	2,580,938
Other Receivables	169,163	-0-	169,163
Prepaid Expenses	5,851	-0-	5,851
Inventories	-0-	26,636	26,636
Total Current Assets	**111,599,380**	**372,013**	**111,971,393**
Capital Assets			
Right-to-Use Lease Assets, net	115,061	-0-	115,061
Non-Depreciable	5,366,411	-0-	5,366,411
Depreciable, net	32,791,420	28,791	32,820,211
Total Capital Assets	**38,272,892**	**28,791**	**38,301,683**
TOTAL ASSETS	**149,872,272**	**400,804**	**150,273,076**
DEFERRED OUTFLOWS of RESOURCES			
Pension	7,512,000	79,500	7,591,500
Other Postemployment Benefits	1,535,000	16,000	1,551,000
TOTAL DEFERRED OUTFLOWS of RESOURCES	**$ 9,047,000**	**$ 95,500**	**$ 9,142,500**

See notes to financial statements.

Pequea Valley School District

STATEMENT of NET POSITION
(Continued)
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 932,077	$ 430	$ 932,507
Current Portion of Bonds Payable, net of Unamortized Premium and Discount	2,300,000	-0-	2,300,000
Accrued Salaries and Benefits	2,981,226	728	2,981,954
Compensated Absences Due Within One Year	153,876	-0-	153,876
Current Portion of Lease Liabilities	96,408	-0-	96,408
Accrued Interest on Long-Term Debt	376,362	-0-	376,362
Payroll Deductions and Withholdings	125,121	-0-	125,121
Unearned Revenues	347,853	28,264	376,117
Due to Other Governments	1,012,587	-0-	1,012,587
Other Current Liabilities	47,167	-0-	47,167
Total Current Liabilities	**8,372,677**	**29,422**	**8,402,099**
Noncurrent Liabilities			
Long-Term Portion of Bonds Payable, net of Unamortized Premium and Discount	84,694,127	-0-	84,694,127
Accrued Retirement Bonuses	899,800	-0-	899,800
Long-Term Portion of Compensated Absences	934,283	-0-	934,283
Net Pension Liability	38,351,000	407,000	38,758,000
Lease Liabilities, net of Current Portion	20,948	-0-	20,948
Net Other Postemployment Benefits (OPEB) Liability	5,084,000	51,000	5,135,000
Total Noncurrent Liabilities	**129,984,158**	**458,000**	**130,442,158**
TOTAL LIABILITIES	**138,356,835**	**487,422**	**138,844,257**
DEFERRED INFLOWS of RESOURCES			
Pension	8,001,000	85,000	8,086,000
Other Postemployment Benefits	449,000	5,000	454,000
TOTAL DEFERRED INFLOWS of RESOURCES	**8,450,000**	**90,000**	**8,540,000**
NET POSITION			
Net Investment in Capital Assets	35,106,385	28,791	35,135,176
Unrestricted (Deficit)	(22,993,948)	(109,909)	(23,103,857)
TOTAL NET POSITION	**$ 12,112,437**	**$ (81,118)**	**$ 12,031,319**

See notes to financial statements.

Pequea Valley School District

STATEMENT of ACTIVITIES

Year Ended June 30, 2022

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	$ 23,737,156	$ 108,221	$ 8,894,645	$ -0-	$ (14,734,290)	$ -0-	$ (14,734,290)
Instructional Student Support	4,178,706	-0-	470,974	-0-	(3,707,732)	-0-	(3,707,732)
Administrative and Financial Support Services	3,388,642	-0-	369,253	-0-	(3,019,389)	-0-	(3,019,389)
Operation and Maintenance of Plant Services	3,357,804	45,128	153,726	-0-	(3,158,950)	-0-	(3,158,950)
Pupil Transportation	2,550,854	-0-	1,283,624	-0-	(1,267,230)	-0-	(1,267,230)
Student Activities	868,275	119,537	76,526	-0-	(672,212)	-0-	(672,212)
Community Services	60,689	1,851	44,614	-0-	(14,224)	-0-	(14,224)
Interest on Long-Term Debt	1,634,727	-0-	-0-	26,526	(1,608,201)	-0-	(1,608,201)
Total Governmental Activities	**39,776,853**	**274,737**	**11,293,362**	**26,526**	**(28,182,228)**	**-0-**	**(28,182,228)**
Business-Type Activities:							
Food Services	**790,876**	**127,650**	**895,353**	**-0-**	**-0-**	**232,127**	**232,127**
Total Primary Government	**$ 40,567,729**	**$ 402,387**	**$ 12,188,715**	**$ 26,526**	**$ (28,182,228)**	**$ 232,127**	**$ (27,950,101)**

See notes to financial statements.

Pequea Valley School District

STATEMENT of ACTIVITIES
(Continued)
Year Ended June 30, 2022

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					$ 26,626,091	$ -0-	$ 26,626,091
Public Utility Realty, Earned Income, and Other Taxes Levied for General Purposes, net					3,508,737	-0-	3,508,737
Unrestricted Grants and Subsidies					3,360,138	-0-	3,360,138
Unrestricted Investment Earnings					45,159	383	45,542
Loss on Asset Dispositions					(27,953)	-0-	(27,953)
Total General Revenues					**33,512,172**	**383**	**33,512,555**
CHANGES in NET POSITION					**5,329,944**	**232,510**	**5,562,454**
NET POSITION							
Beginning					6,782,493	(313,628)	6,468,865
Ending					**$ 12,112,437**	**$ (81,118)**	**$ 12,031,319**

See notes to financial statements.

Pequea Valley School District

BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2022

	Major Funds				
	General Fund	Capital Project Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 1,507,330	$ -0-	$ -0-	$ -0-	$ 1,507,330
Investments	19,956,064	84,285,232	1,378,542	-0-	105,619,838
Taxes Receivable, net	1,073,137	-0-	-0-	-0-	1,073,137
Internal Advances Receivable	748,896	-0-	-0-	-0-	748,896
Due from Other Governments	2,475,165	-0-	-0-	-0-	2,475,165
Other Receivables	169,163	-0-	-0-	-0-	169,163
Prepaid Expenses	5,851	-0-	-0-	-0-	5,851
TOTAL ASSETS	**25,935,606**	**84,285,232**	**1,378,542**	**-0-**	**111,599,380**
LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES					
LIABILITIES					
Accounts Payable	586,748	342,551	2,778	-0-	932,077
Accrued Salaries and Benefits	2,981,226	-0-	-0-	-0-	2,981,226
Payroll Deductions and Withholding	125,121	-0-	-0-	-0-	125,121
Due to Other Governments	1,012,587	-0-	-0-	-0-	1,012,587
Other Current Liabilities	47,167	-0-	-0-	-0-	47,167
Unearned Revenues	347,853	-0-	-0-	-0-	347,853
TOTAL LIABILITIES	**5,100,702**	**342,551**	**2,778**	**-0-**	**5,446,031**
DEFERRED INFLOWS of RESOURCES					
Deferred Taxes	**331,119**	**-0-**	**-0-**	**-0-**	**331,119**
FUND BALANCES					
Nonspendable	434,195	-0-	-0-	-0-	434,195
Restricted	-0-	83,942,681	-0-	-0-	83,942,681
Committed	13,300,000	-0-	-0-	-0-	13,300,000
Assigned	4,000,000	-0-	1,375,764	-0-	5,375,764
Unassigned	2,769,590	-0-	-0-	-0-	2,769,590
TOTAL FUND BALANCES	**20,503,785**	**83,942,681**	**1,375,764**	**-0-**	**105,822,230**
TOTAL LIABILITIES, DEFERRED INFLOWS of RESOURCES, and FUND BALANCES	**$ 25,935,606**	**$ 84,285,232**	**$ 1,378,542**	**$ -0-**	**$ 111,599,380**

See notes to financial statements.

Pequea Valley School District

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
June 30, 2022

Total Fund Balances - Governmental Funds	$ 105,822,230
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 $82,704,388 and the accumulated depreciation is $44,546,557.	38,157,831
Right-to-use lease 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 $207,113 and the accumulated amortization is $92,052.	115,061
Property taxes and certain other receivables are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	331,119
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities and related accounts at year end consist of:	
Accrued Interest on Long-Term Debt	(376,362)
Bonds Payable	(82,615,000)
Bond Premium, net of Amortization	(4,817,845)
Bond Discount, net of Amortization	438,718
Net Pension Liability	(38,351,000)
Accrued Retirement Bonuses	(899,800)
Compensated Absences	(1,088,159)
Net Other Postemployment Benefit (OPEB) Liability	(5,084,000)
Lease Liabilities	(117,356)
Deferred outflows of resources - pension and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.	9,047,000
Deferred inflows of resources - pension and OPEB are not due and collectable in the current period and, therefore, are not reported in the funds.	(8,450,000)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	**$ 12,112,437**

See notes to financial statements.

Pequea Valley School District

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

Year Ended June 30, 2022

	Major Funds				
	General Fund	Capital Project Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Real Estate Taxes	$ 26,678,765	$ -0-	$ -0-	$ -0-	$ 26,678,765
Other Taxes	3,508,737	-0-	-0-	-0-	3,508,737
Investment Earnings	9,163	34,280	1,134	-0-	44,577
Other Revenue	741,990	-0-	-0-	-0-	741,990
Total Local Sources	30,938,655	34,280	1,134	-0-	30,974,069
State Sources	8,670,875	-0-	-0-	-0-	8,670,875
Federal Sources	5,541,898	-0-	-0-	-0-	5,541,898
Total Revenues	**45,151,428**	**34,280**	**1,134**	**-0-**	**45,186,842**
EXPENDITURES					
Instructional Services	23,109,236	-0-	-0-	-0-	23,109,236
Support Services	13,729,543	-0-	234,918	-0-	13,964,461
Noninstructional Services	967,566	295,181	-0-	-0-	1,262,747
Capital Outlay	-0-	3,017,458	38,393	-0-	3,055,851
Debt Service	-0-	-0-	-0-	4,098,056	4,098,056
Total Expenditures	**37,806,345**	**3,312,639**	**273,311**	**4,098,056**	**45,490,351**
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	**7,345,083**	**(3,278,359)**	**(272,177)**	**(4,098,056)**	**(303,509)**
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	-0-	29,265,000	-0-	-0-	29,265,000
Discount on Issuance of Debt	-0-	(438,718)	-0-	-0-	(438,718)
Proceeds from Sale of Capital Assets	44,392	-0-	-0-	-0-	44,392
Internal Service Fund Transfer	1,039,275	-0-	-0-	-0-	1,039,275
Debt Service Fund Transfer	(4,098,056)	-0-	-0-	4,098,056	-0-
Net Other Financing Sources (Uses)	**(3,014,389)**	**28,826,282**	**-0-**	**4,098,056**	**29,909,949**
NET CHANGES in FUND BALANCES	**4,330,694**	**25,547,923**	**(272,177)**	**-0-**	**29,606,440**
FUND BALANCES					
Beginning	16,173,091	58,394,758	1,647,941	-0-	76,215,790
Ending	**$ 20,503,785**	**$ 83,942,681**	**$ 1,375,764**	**$ -0-**	**$ 105,822,230**

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, 2022

Net Changes in Fund Balances - Total Governmental Funds		$ 29,606,440
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:		
Remaining Basis of Capital Assets Disposed	(72,345)	
Depreciation Expense	(2,220,743)	
Capital Outlays	4,087,280	1,794,192
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 decreased by this amount this year.		(52,674)
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.		(28,490,133)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,050,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		$ 74,885

See notes to financial statements.

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.	$ (72,194)
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.	(48,300)
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.	(262,000)
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.	(797,272)
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.	1,527,000
CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES	**$ 5,329,944**

See notes to financial statements.

Pequea Valley School District

STATEMENT of NET POSITION -
PROPRIETARY FUNDS
June 30, 2022

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 203,017	$ -0-
Investments	464,931	320,552
Due from Other Governments	105,773	-0-
Inventories	26,636	-0-
Total Current Assets	**800,357**	**320,552**
Noncurrent Assets		
Depreciable Capital Assets, net	**28,791**	**-0-**
TOTAL ASSETS	**829,148**	**320,552**
DEFERRED OUTFLOWS of RESOURCES		
Pension	79,500	-0-
Other Postemployment Benefits	16,000	-0-
TOTAL DEFERRED OUTFLOWS of RESOURCES	**95,500**	**-0-**
LIABILITIES		
Current Liabilities		
Accounts Payable	430	-0-
Accrued Salaries and Benefits	728	-0-
Interfund Advances Payable	428,344	320,552
Unearned Revenues	28,264	-0-
Total Current Liabilities	**457,766**	**320,552**
Noncurrent Liabilities		
Net Pension Liability	407,000	-0-
Net Other Postemployment Benefits (OPEB) Liability	51,000	-0-
Total Noncurrent Liabilities	**458,000**	**-0-**
TOTAL LIABILITIES	**915,766**	**320,552**
DEFERRED INFLOWS of RESOURCES		
Pension	85,000	-0-
Other Postemployment Benefits	5,000	-0-
TOTAL DEFERRED INFLOWS of RESOURCES	**90,000**	**-0-**
NET POSITION		
Net Investment in Capital Assets	28,791	-0-
Unrestricted (Deficit)	(109,909)	-0-
TOTAL NET POSITION	**$ (81,118)**	**$ -0-**

See notes to financial statements.

Pequea Valley School District

STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
OPERATING REVENUES		
Food Service Revenue	$ 127,650	$ -0-
Charges for Services	-0-	3,073,166
Total Operating Revenues	**127,650**	**3,073,166**
OPERATING EXPENSES		
Salaries	138,663	-0-
Employee Benefits	110,482	2,831,745
Purchased Professional and Technical Services	200,379	-0-
Other Purchased Services	8,831	-0-
Supplies	313,327	-0-
Depreciation	19,194	-0-
Total Operating Expenses	**790,876**	**2,831,745**
OPERATING INCOME (LOSS)	**(663,226)**	**241,421**
NONOPERATING REVENUES		
Investment Earnings	383	582
State Sources	52,686	-0-
Federal Sources	842,667	-0-
Net Nonoperating Revenues	**895,736**	**582**
Income Before Other Financing Uses	**232,510**	**242,003**
OTHER FINANCING USES		
Transfers Out	**-0-**	**(1,039,275)**
CHANGES in NET POSITION	**232,510**	**(797,272)**
NET POSITION		
Beginning	(313,628)	797,272
Ending	**$ (81,118)**	**$ -0-**

See notes to financial statements.

Pequea Valley School District

STATEMENT of CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2022

	Major Enterprise Fund	
	Food Service Fund	**Internal Service Fund**
CASH FLOWS from OPERATING ACTIVITIES		
Cash Received from Users	$ 130,779	$ 137,311
Cash Received from Assessments Made to Other Funds	-0-	3,658,803
Cash Payments to Employees for Services	(209,817)	-0-
Cash Payments to Suppliers for Goods and Services	(500,121)	-0-
Cash Payments for Insurance Claims	-0-	(2,752,615)
Net Cash Provided (Used) by Operating Activities	**(579,159)**	**1,043,499**
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
State Sources	49,470	-0-
Federal Sources	735,518	-0-
Fund Transfer	-0-	(1,039,275)
Net Cash Provided (Used) by Noncapital Financing Activities	**784,988**	**(1,039,275)**
CASH FLOWS from INVESTING ACTIVITIES		
Investment Earnings	383	582
Sale of Investments	376,523	581,412
Purchase of Investments	(756,184)	(586,218)
Net Cash Used by Investing Activities	**(379,278)**	**(4,224)**
DECREASE in CASH and CASH EQUIVALENTS	**(173,449)**	**-0-**
CASH and CASH EQUIVALENTS		
Beginning of Year	376,466	-0-
End of Year	**$ 203,017**	**$ -0-**

See notes to financial statements.

Pequea Valley School District

STATEMENT of CASH FLOWS -
PROPRIETARY FUNDS
(Continued)
Year Ended June 30, 2022

	Major Enterprise Fund	
	Food Service Fund	**Internal Service Fund**
RECONCILIATION of OPERATING INCOME (LOSS) to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES		
Operating Income (Loss)	**$ (663,226)**	**$ 241,421**
ADJUSTMENTS to RECONCILE OPERATING INCOME (LOSS) to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES		
Depreciation	19,194	-0-
Use of USDA Commodities	24,536	-0-
(Increase) Decrease in:		
Interfund Receivable	-0-	585,637
Inventory	(2,550)	-0-
Other Current Assets	5,847	137,311
Increase (Decrease) in:		
Accounts Payable	430	(241,422)
Accrued Salaries and Benefits	107	-0-
Interfund Payable	51,821	320,552
Unearned Revenues	(2,718)	-0-
Pension - Related Changes Other than Periodic Pension Costs	(15,600)	-0-
OPEB - Related Changes Other than Periodic OPEB Costs	3,000	-0-
Total Adjustments	**84,067**	**802,078**
Net Cash Provided (Used) by Operating Activities	**$ (579,159)**	**$ 1,043,499**
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
NONCASH NONCAPITAL and RELATED FINANCING ACTIVITIES		
Receipt of USDA Donated Commodities	24,536	-0-

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, 2022, was approximately $416,000. 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 18. The School District's lease payment to the Authority for the year ended June 30, 2022, was $57,954, 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, 2022. 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, 2022, was approximately $992,000. 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, 2022, were approximately $45,000. 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 21 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 $450,000. The pool has commercial insurance for claims greater than $450,000. The School District net contribution to the pool for the year ended June 30, 2022, was approximately $316,000 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. 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 and proprietary 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.

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.

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, related to bond funded construction projects.

Capital Reserve 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. This fund was closed during the year ended June 30, 2022.

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 and proprietary 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, leases, compensated absence payments, pensions and other postemployment benefits, which are recognized when due.

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, 2022, which are not intended to finance fiscal 2022 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 and proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)
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 non-exchange 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.

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).

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, 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 and premium on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences 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.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences and Retirement Bonuses (Continued)
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.

Leases
The accounting for leases depends upon its classification: (1) Short-term leases have a maximum possible term of 12 months or less. Payments on short-term leases are recorded as outflows of resources based upon payment provisions in the contract; (2) Contracts that transfer ownership are reported as financed purchases of the underlying assets; and (3) all other leases are treated in a manner similar to contracts that transfer ownership, resulting in the recognition of a right-to-use asset and lease liability.

Lease liabilities are initially measured at the present value of the payments expected to be made during the lease term. Lease assets are initially measured as the sum of the lease liability, payments made less lease incentives received before commencement of the lease term, and initial direct costs that are necessary to place the leased asset into service.

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, 2022, 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.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB) (Continued)

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.

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

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

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

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

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.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)
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.

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, other postemployment benefits, and lease liabilities and right-to-use assets. 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 2022.

Current Year Changes in Accounting Principles
During the current year, the School District adopted GASB Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB specified a transition method that measures leases using the facts and circumstances at the beginning of the implementation period. At implementation, lease liabilities were measured using the remaining lease term and discount rate at July 1, 2021, and right-to-use assets were measured based on the lease liability. Accordingly, a restatement of net position was not necessary to implement Statement No. 87.

During the current year, the School District adopted GASB 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 School District's beginning balances and current year results were not affected by the implementation of this new standard.

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62.* The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The provisions of this statement are effective for the School District's June 30, 2024 financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences.* The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this statement are effective for the School District's June 30, 2025 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.

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, 2022, $1,561,323 of the School District's bank balance of $1,811,323 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	1,561,323
	1,561,323

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	1,561,323
Insured Amount	250,000
Bank Balance	1,811,323
Outstanding Checks	(102,426)
Carrying Amount - Bank Balances	1,708,897
Petty Cash	1,450
Total Cash and Cash Equivalents per Financial Statements	**1,710,347**

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

Investments
Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2022, the School District did not hold any investments classified in the fair value hierarchy.

At June 30, 2022, the School District holds the following investments recorded at cost or amortized cost:

Pennsylvania School District Liquid Asset Fund (PSDLAF)	
Full Flex Investment Pool	28,528,840
PSDLAF/Collateralized Investment Pool	7,500,000
PSDLAF MAX Series	8,063,940
Treasury Bills	62,312,541
	106,405,321

The PSDLAF Full Flex Investment 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 Collateralized Investment Pool positions mature in 365 days and 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.

Treasury bill investments are government agency securities that have maturities of less than one year and are recorded at amortized cost.

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.

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

Credit Risk
The School District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2022, the School District investments were rated as:

Investments	Standard & Poor's
PSDLAF MAX Series	AAAm
PSDLAF Full Flex Investment 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, 2022, 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, 2022.

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, 2022, was 15.29 mills as levied by the Board of School Directors.

The schedule for real estate taxes levied for the fiscal year ended June 30, 2022, 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.

NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES (Continued)

The balances at June 30, 2022, are as follows:

	Taxes Receivable	Estimated Uncollectable	Net Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	519,470	-0-	519,470	188,351	331,119
Realty Transfer Taxes	27,896	-0-	27,896	27,896	-0-
Earned Income Taxes	525,771	-0-	525,771	525,771	-0-
	1,073,137	**-0-**	**1,073,137**	**742,018**	**331,119**

NOTE 5 - DUE from OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2022, the following amounts are due from other governmental units:

Due From	General Fund	Food Service Fund	Total
Federal Grants	784,027	102,557	886,584
State Match for Lunch Program	-0-	3,216	3,216
State Retirement Subsidy	879,527	-0-	879,527
State Social Security Subsidy	144,421	-0-	144,421
Other State Subsidies	171	-0-	171
Intermediate Unit	520,931	-0-	520,931
Local	146,088	-0-	146,088
	2,475,165	**105,773**	**2,580,938**

NOTE 6 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2022, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	320,552	-0-
Internal Service Fund	-0-	320,552
	320,552	**320,552**

The general fund has an interfund receivable that represents the remaining fund assets due from the internal service fund, which was closed out at June 30, 2022.

NOTE 6 - INTERFUND ACCOUNTS (Continued)

At June 30, 2022, there is a net interfund advances receivable and payable between the general fund and enterprise fund - food service fund, respectively, in the amount of $428,344. This interfund activity represents amounts due from the enterprise fund - food service fund for salaries and benefits of employees paid for by the general fund.

Interfund transfers for the year ended June 30, 2022, are as follows:

Fund	Transfers In	Transfers Out
General Fund	1,039,275	4,098,056
Debt Service Fund	4,098,056	-0-
Internal Service Fund	-0-	1,039,275
	5,137,331	**5,137,331**

Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds. Transfers were made from the internal service fund to the general fund to close the internal service fund as of June 30, 2022.

NOTE 7 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2022, is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	598,048	-0-	-0-	598,048
Construction in Progress	1,698,018	3,116,120	(45,775)	4,768,363
Total Cost	**2,296,066**	**3,116,120**	**(45,775)**	**5,366,411**
Capital Assets Being Depreciated:				
Site Improvements	2,313,242	-0-	-0-	2,313,242
Building and Building Improvements	66,366,461	951,878	-0-	67,318,339
Furniture and Equipment	7,625,895	65,033	(351,446)	7,339,482
Vehicles	366,914	-0-	-0-	366,914
Total Cost	**76,672,512**	**1,016,911**	**(351,446)**	**77,337,977**

NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Accumulated Depreciation:				
Site Improvements	1,491,124	94,852	-0-	1,585,976
Building and Building Improvements	35,486,824	1,783,177	-0-	37,270,001
Furniture and Equipment	5,382,690	325,320	(279,125)	5,428,885
Vehicles	244,301	17,394	-0-	261,695
Total Accumulated Depreciation	**42,604,939**	**2,220,743**	**(279,125)**	**44,546,557**
Net Capital Assets Being Depreciated	**34,067,573**	**(1,203,832)**	**(72,321)**	**32,791,420**
Right-to-Use Lease Assets Being Amortized:				
Equipment	**207,113**	**-0-**	**-0-**	**207,113**
Accumulated Amortization:				
Equipment	**-0-**	**92,052**	**-0-**	**92,052**
Net Right-to-Use Lease Assets Being Amortized	**207,113**	**(92,052)**	**-0-**	**115,061**
Net Capital Assets	**36,570,752**	**1,820,236**	**(118,096)**	**38,272,892**

Capital asset activity for business-type activities for the year ended June 30, 2022, is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Historical Cost:				
Capital Assets Being Depreciated:				
Equipment	794,032	-0-	(14,533)	779,499
Accumulated Depreciation:				
Equipment	746,047	19,194	(14,533)	750,708
Net Capital Assets	**47,985**	**(19,194)**	**-0-**	**28,791**

Depreciation expenses were charged to governmental functions as follows:

Instructional Programs	1,596,899
Instructional Student Support	147,723
Administration and Financial Support Services	75,289
Operation and Maintenance of Plant Services	395,470
Noninstructional Services	5,362
	2,220,743

NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)

The amortization charge for leased assets was $92,052 during the year ended June 30, 2022, which is included in governmental activities - instruction.

No interest was capitalized at June 30, 2022. Interest expense of $1,634,727 was incurred and reported as interest on long-term debt on the statement of activities as of June 30, 2022.

NOTE 8 - ACCRUED SALARIES and BENEFITS

At June 30, 2022, the School District was liable for payroll, payable during July and August 2022, 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, 2022, 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. The School District has elected to not accrue non-ratable benefits, i.e. group insurance benefits, on summer payroll. Total accrued salaries and benefits reported on the statement of net position are as follows:

	General Fund	Food Service Fund	Total
Accrued Salaries	1,147,741	512	1,148,253
Accrued Social Security	83,563	37	83,600
Accrued Retirement	400,598	179	400,777
PSERS Payable	1,349,324	-0-	1,349,324
	2,981,226	**728**	**2,981,954**

NOTE 9 - UNEARNED REVENUES

Unearned revenues in the general fund consists of miscellaneous funding received, but not yet expended, of $347,853 as of June 30, 2022.

Unearned revenues in the food service fund consists of prepaid lunch sales of $8,320 and $19,944 of miscellaneous funding received, but not yet expended, as of June 30, 2022.

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 April 1, 2021, the School District issued General Obligation Bonds Series of 2021 in the amount of $55,400,000. Proceeds of the Series of 2021 Bonds were used to provide funds to (1) finance various capital projects of the School District, and (2) pay the costs of issuing the bonds. The principal amount outstanding for Series of 2021 as of June 30, 2022, was $53,350,000 due in various amounts through May 2049.

NOTE 10 - LONG-TERM DEBT (Continued)

On May 10, 2022, the School District issued General Obligation Bonds Series of 2022 in the amount of $29,265,000. Proceeds of the Series of 2022 Bonds were used to provide funds to (1) finance various capital projects of the School District, and (2) pay the costs of issuing the bonds. The principal amount outstanding for Series of 2022 as of June 30, 2022, was $29,265,000 due in various amounts through May 2052.

Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2022, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2022	Due Within One Year
Series of 2021 Bonds	5/15/2049	1.00% - 4.00%	53,350,000	2,295,000
Series of 2022 Bonds	5/15/2052	3.38% - 4.00%	29,265,000	5,000
			82,615,000	**2,300,000**

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
General Obligation Bonds	55,400,000	29,265,000	2,050,000	82,615,000
Bond Discount	-0-	(438,718)	-0-	(438,718)
Bond Premium	5,156,289	-0-	338,444	4,817,845
Accrued Retirement Bonuses	851,500	62,300	14,000	899,800
Estimated Liability for Compensated Absences	1,015,965	85,813	13,619	1,088,159
	62,423,754	**28,974,395**	**2,416,063**	**88,982,086**

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

	Principal	Interest	Total
2023	2,300,000	2,907,085	5,207,085
2024	1,815,000	2,845,881	4,660,881
2025	1,700,000	2,791,381	4,491,381
2026	1,755,000	2,738,381	4,493,381
2027	1,810,000	2,683,181	4,493,181
2028 - 2032	10,200,000	12,269,505	22,469,505
2033 - 2037	12,125,000	10,344,667	22,469,667
2038 - 2042	14,135,000	8,331,366	22,466,366
2043 - 2047	16,650,000	5,818,435	22,468,435
2048 - 2052	20,125,000	2,342,187	22,467,187
	82,615,000	**53,072,069**	**135,687,069**

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 - LEASE OBLIGATIONS

The School District leases equipment under a lease agreement. The following lease has been included in the lease measurement and does not include renewable terms or residual guarantees:

Copiers: The lease commenced June 1, 2019, and expires August 30, 2023. Base monthly rent is $8,034. The lease provides for additional usage charges if limits are exceeded, which have been excluded from the lease measurement. The School District's estimated incremental borrowing rate of 4.00% was used to discount the lease liability.

Annual requirements to amortize the lease liability and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	96,408	2,994	99,402
2024	20,948	160	21,108
	117,356	**3,154**	**120,510**

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, 2022:

Accumulated Sick Days	934,283
Accumulated Vacation Days	110,246
Accumulated Personal Days	32,695
Employer Social Security and Medicare, when Applicable	10,935
	1,088,159

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 $899,800 at June 30, 2022.

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.

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 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions
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.

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Employer Contributions
The School District's contractually required contribution rate for fiscal year ended June 30, 2022, was 34.21% 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 $4,739,000 for the year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022, the School District reported a liability of $38,758,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2020 to June 30, 2021. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the School District's proportion was .0944%, which was a decrease of .0039% from its proportion measured as of 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)

For the year ended June 30, 2022, the School District recognized pension expense of $3,211,000. At June 30, 2022, 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	29,000	509,000
Changes in Assumptions	1,880,000	-0-
Net Difference Between Projected and Actual Investment Earnings	-0-	6,169,000
Change in Proportions	927,000	1,408,000
Difference Between Employer Contributions and Proportionate Share of Total Contributions	16,500	-0-
Contributions Subsequent to the Measurement Date	4,739,000	-0-
	7,591,500	**8,086,000**

$4,739,000 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, 2023.

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:	
2023	(1,101,750)
2024	(919,750)
2025	(1,219,750)
2026	(1,992,250)

Actuarial Assumptions

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

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Long Term Expected Rate of Return: 7.00%, includes inflation at 2.50%.
Actuarial Cost Method: Entry Age Normal, Level Percent of Pay.
Salary Growth: Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Mortality Rates: Blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 mortality improvement scale.

The following changes in assumptions were used in the measurement of the total pension beginning June 30, 2021: the mortality rate Scale MP-2015 was updated to the Scale MP-2020; the salary growth rate decreased from 5.00% to 4.50%; the real wage growth and merit or seniority increases decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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	27.0%	5.2%
Private Equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute Return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real Estate	10.0%	4.7%
Cash	3.0%	0.1%
Financing (LIBOR)	(13.0%)	0.1%
	100.0%	

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

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
School District's Proportionate Share of the Net Pension Liability	50,871,000	38,758,000	28,540,000

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, 2022, the School District reported a payable of $1,349,324 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2022. These amounts relate to the second quarter of 2022 and are payable to PSERS within five business days of the School District receiving its related retirement subsidy from the Commonwealth of Pennsylvania.

Pension Reform

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

Membership Class T-G, one of the hybrid options, contains a "shared risk" provision whereby Membership Class T-G member contribution rates into the defined benefit plan can fluctuate between 2.50% and 8.50% (5.50% 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.

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension Reform (Continued)
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 1.50% and 7.50% (4.50% 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 $13,427 for the year ended June 30, 2022.

PSERS school employers will be charged interest at the assumed rate of return, currently 7.00%, for delinquent payments to PSERS rather than 6.00%.

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.

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, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	12
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	178
	190

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

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Total OPEB Liability
The School District's total OPEB liability of $2,904,000 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the July 1, 2020, actuarial valuation rolled forward to July 1, 2021 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: 2.28%, 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: 5.50% in 2020 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Retirees' Share of Benefit-Related Costs: 100.00% of premium.
Mortality Rates: RP-2014 mortality tables for males and females adjusted for mortality improvement using the Buck Modified 2016 projection scale.
Percent of Eligible Retirees Electing Coverage: 100.00% of subsidized and 90.00% of subsidized Administrators are assumed to elect coverage, and 70.00% of all other employees are assumed to elect coverage.

The actuarial assumptions used in the July 1, 2020 valuation and rolled forward to the July 1, 2021 measurement date were based on the results of an actuarial experience study for the period ending July 1, 2020.

Changes in the Total OPEB Liability

Balance, June 30, 2021	**2,829,000**
Changes for the Year	
Service Cost	199,000
Interest	55,000
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	(91,000)
Benefit Payments	(88,000)
Net Changes	**75,000**
Balance, June 30, 2022	**2,904,000**

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 1.00% lower or 1.00% higher than the current discount rate:

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

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (Continued)

	Total OPEB Liability
1.28 % Discount Rate (1.00% Decrease)	3,123,000
2.28% Discount Rate (Current Rate)	2,904,000
3.28% Discount Rate (1.00% Increase)	2,694,000

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 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 1.00% lower or 1.00% higher than the current discount rate, these figures are estimated:

	Total OPEB Liability
4.50% (1.00% Decrease)	2,546,000
5.50% (Current Rate)	2,904,000
6.50% (1.00% Increase)	3,335,000

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program
PSERS provides Premium Assistance which is a governmental cost-sharing, multiple-employer other postemployment benefit plan 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, 2021, there were no assumed future benefit increases to participating eligible retirees.

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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

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

Benefits Provided

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2022, was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were $111,000 for the year ended June 30, 2022.

OPEB Liabilities and OPEB Expense

At June 30, 2022, the School District reported a liability of $2,231,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. 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, 2022, the School District's proportion was 0.0941%, which was an decrease of 0.0040% from its proportion measured as of June 30, 2021. For the year ended June 30, 2022, the School District recognized OPEB expense of $150,000 related to this plan.

Actuarial Assumptions

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

Actuarial Cost Method: Entry age normal, level percent of pay.
Investment Return: 2.18%, based on the 20-year S&P municipal bond rate.
Salary Growth: Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Premium Assistance reimbursement is capped at $1,200 per year.
Assumed Healthcare Cost Trends: Applied to retirees with less than $1,200 in Premium Assistance per year.
Mortality Rates: Blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
Participation Rate:
Eligible retirees will elect to participate pre-age 65 at 50.00%.
Eligible retirees will elect to participate post-age 65 at 70.00%.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

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

Actuarial Assumptions (Continued)
The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019, determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63.00% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Investments consist primarily of short term assets designed to protect the principal of the 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 PSERS' Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.80%	0.10%
US Core Fixed Income	17.50%	0.70%
Non-US Developed Fixed	2.70%	(0.30%)
	100.00%	

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

Discount Rate
The discount rate used to measure the total OPEB liability was 2.18%. 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 2.18% which represents the S&P 20-year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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 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 1.00% lower or 1.00% higher than the current discount rate:

	Net OPEB Liability
1.18% Discount Rate (1.00% Decrease)	2,560,000
2.18% Discount Rate (Current Rate)	2,231,000
3.18% Discount Rate (1.00% Increase)	1,960,000

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, 2021, 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, 2021, 611 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has minimal impact on the following healthcare cost trends.

The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00% lower or 1.00% higher than the current healthcare cost trend rates:

	Net OPEB Liability
1.00% Decrease	2,231,000
Current Rate	2,231,000
1.00% Increase	2,231,000

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.

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

AGGREGATE OPEB INFORMATION

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2022, the School District recognized OPEB expense of $469,000. At June 30, 2022, 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	736,000	207,000
Changes of Assumptions	514,000	175,000
Changes in Proportion	97,000	72,000
	1,551,000	**454,000**

$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, 2023. 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:	
2023	117,000
2024	117,000
2025	121,000
2026	112,000
2027	95,000
Thereafter	331,000

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 the third-party 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 $3,938,965 in total per year.

NOTE 16 - RISK MANAGEMENT (Continued)

Hospitalization (Continued)
A liability for claims incurred prior to June 30, 2022, and subsequently paid is recorded in the amount of $366,649 in accounts payable in the general fund.

Changes in the School District's claims liability amount in fiscal years 2022 and 2021 are:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2021 - 2022	241,222	2,957,172	2,831,745	366,649
2020 - 2021	221,376	4,043,939	4,024,093	241,222

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 19 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.

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, 2022, 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, 2022, and the three 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	5,851
General Fund - Nonspendable Interfund Advance Receivable	428,344

NOTE 17 - FUND BALANCE CLASSIFICATIONS (Continued)

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. At June 30, 2022, the School District has included the following as restricted fund balances:

Capital Project Fund - Restricted for Capital Outlays	83,942,681

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, 2022, the School District has included the following as committed fund balances:

General Fund - Committed for Future Capital Projects	9,800,000
General Fund - Committed for Future Health Care Increases	3,500,000

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, 2022, the School District has included the following as assigned fund balance:

Capital Reserve Fund - Assigned for Capital Outlays	1,375,764
General Fund - Assigned for Future Capital Projects	4,000,000

NOTE 18 - CONTINGENCIES and COMMITMENTS

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.

Capital Projects
The School District has entered into various contracts for building improvement projects. The amount remaining on the outstanding contracts is approximately $1,048,000.

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 3.00% for the duration of the contract. The transportation services expense related to this contract was approximately $2,217,000 for the year ended June 30, 2022.

NOTE 18 - CONTINGENCIES and COMMITMENTS (Continued)

Maintenance Agreement
The School District has entered into an agreement for the maintenance of the school's 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, 2022. Effective August 17, 2022, an extension of the maintenance agreement was executed through August 31, 2024. Under the extension, the new estimated monthly costs are $34,300 with annual costs related to the contract totaling approximately $412,000.

Collective Bargaining Agreement
The School District has entered into a collective bargaining agreement with the Pequea Valley Education Association. The agreement is for the period of July 1, 2021 through June 30, 2025. 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.

Lancaster County Career and Technology Authority Guarantee
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 amounts sufficient to service this debt, in proportions based on real estate market values.

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

Fiscal Year Ended June 30,	Estimated Future Minimum Payments
2023	57,728
2024	57,486
2025	57,636
2026	57,938
2027	57,544
2028 - 2032	284,263
2033 - 2037	282,454
	855,049

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, 2022, the School District abated approximately $619,000 of property taxes under this agreement.

NOTE 20 - SUBSEQUENT EVENTS

In August 2022, the School District entered into contracts totaling approximately $78,098,000 related to building renovations and approximately $123,000 related to the baseball field.

The School District was required by Leacock Township to place 100% of the estimated construction costs either in Escrow with the Township or obtain a Letter of Credit, to assure the proper completion of storm water facilities for the construction of the new Middle/High School. The District chose to place $4,092,787 into a money market account with Fulton Bank in order to obtain the Letter of Credit. The District chose this option because of the favorable interest rates offered by Fulton Bank. This amount is broken down into two parts estimated construction costs in the amount of $3,897,892 and $194,894 for inspection costs. As construction is completed, the Letter of Credit will be reduced.

Pequea Valley School District

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL -
GENERAL FUND
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
Local Sources:				
Real Estate Taxes	$ 26,330,560	$ 26,330,560	$ 26,678,765	$ 348,205
Other Taxes	2,710,415	2,710,415	3,508,737	798,322
Investment Earnings	200,000	200,000	9,163	(190,837)
Other Revenue	468,600	468,600	741,990	273,390
Total Local Sources	29,709,575	29,709,575	30,938,655	1,229,080
State Sources	8,513,078	8,513,073	8,670,875	157,802
Federal Sources	4,919,451	4,899,288	5,541,898	642,610
Total Revenues	**43,142,104**	**43,121,936**	**45,151,428**	**2,029,492**
EXPENDITURES				
Instructional Services:				
Regular Programs	15,650,485	15,576,878	16,337,074	(760,196)
Special Programs	4,997,317	4,975,848	5,585,094	(609,246)
Vocational Programs	755,122	741,978	761,056	(19,078)
Other Instructional Programs	429,080	479,278	426,012	53,266
Total Instructional Services	**21,832,004**	**21,773,982**	**23,109,236**	**(1,335,254)**
Support Services:				
Pupil Personnel Services	1,652,339	1,613,076	1,533,535	79,541
Instructional Staff Services	2,102,659	2,102,655	2,133,826	(31,171)
Administrative Services	1,993,467	1,994,710	2,042,748	(48,038)
Pupil Health	617,720	617,719	558,930	58,789
Business Services	716,088	720,057	793,245	(73,188)
Operation of Plant and Maintenance Services	3,161,236	3,161,076	3,812,022	(650,946)
Student Transportation Services	2,653,063	2,653,063	2,578,523	74,540
Central and Other Business Services	301,403	301,402	257,178	44,224
Other Support Services	28,000	28,000	19,536	8,464
Total Support Services	**13,225,975**	**13,191,758**	**13,729,543**	**(537,785)**
Noninstructional Services:				
Student Activities	803,360	817,531	906,877	(89,346)
Community Services	14,025	71,925	60,689	11,236
Total Noninstructional Services	**817,385**	**889,456**	**967,566**	**(78,110)**
Total Expenditures	**35,875,364**	**35,855,196**	**37,806,345**	**1,951,149**
EXCESS of REVENUES OVER EXPENDITURES	**7,266,740**	**7,266,740**	**7,345,083**	**78,343**
OTHER FINANCING SOURCES (USES)				
Capital Projects Fund Transfer	-0-	(46,563)	-0-	46,563
Internal Service Fund Transfer	-0-	-0-	1,039,275	1,039,275
Debt Service Fund Transfer	(4,203,053)	(4,156,490)	(4,098,056)	58,434
Proceeds from Sale of Capital Assets	-0-	-0-	44,392	44,392
Budgetary Reserve	(3,063,917)	(3,063,917)	-0-	3,063,917
Net Other Financing Uses	**(7,266,970)**	**(7,266,970)**	**(3,014,389)**	**4,252,581**
NET CHANGES in FUND BALANCES	**$ (230)**	**$ (230)**	**4,330,694**	**$ 4,330,924**
FUND BALANCES				
Beginning			16,173,091	
Ending			**$ 20,503,785**	

See independent auditors' report.

Pequea Valley School District (the 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, 2022.

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

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

See independent auditors' report.

Pequea Valley School District

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	$ 199,000	$ 168,000	$ 170,000	$ 91,000	$ 90,000
Interest	55,000	84,000	72,000	40,000	33,000
Changes of Benefit Terms	-0-	210,000	-0-	-0-	-0-
Differences Between Expected and Actual Experience	-0-	(241,000)	-0-	1,000,000	-0-
Changes of Assumptions	(91,000)	319,000	(75,000)	1,000	2,000
Benefit Payments	(88,000)	(88,000)	(89,000)	(84,000)	(221,000)
Net Changes in Total OPEB Liability	**75,000**	**452,000**	**78,000**	**1,048,000**	**(96,000)**
Total OPEB Liability - Beginning	2,829,000	2,377,000	2,299,000	1,251,000	1,347,000
Total OPEB Liability - Ending	**$ 2,904,000**	**$ 2,829,000**	**$ 2,377,000**	**$ 2,299,000**	**$ 1,251,000**
Covered Payroll	13,139,464	13,139,464	12,797,939	12,797,939	10,000,537
Total OPEB Liability as a Percentage of Covered Payroll	22.10%	21.53%	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, 2021:

Discount rate was increased from 1.86% to 2.28%.

Measurement period ending June 30, 2020:

Discount rate was reduced from 3.36% to 1.86%.

Assumption for election coverage now includes 100% of subsidized and 90% of subsidized Administrators. Assumption of election coverage of 70% of full-time employees remains unchanged.

Measurement period ending June 30, 2019:

Discount rate was increased 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.

Pequea Valley School District

SCHEDULE of EMPLOYER CONTRIBUTIONS -
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (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	.90%
2016	97,000	97,000	-0-	11,480,587	.84%
2017	102,000	102,000	-0-	12,291,107	.83%
2018	104,000	104,000	-0-	12,520,972	.83%
2019	109,000	109,000	-0-	13,214,541	.83%
2020	116,000	116,000	-0-	13,733,863	.84%
2021	110,000	110,000	-0-	13,344,003	.82%
2022	111,000	111,000	-0-	13,850,958	.80%

Note: Information is not available prior to 2015.

See independent auditors' report.

Changes of Assumptions:

Measurement period ending June 30, 2021:

Discount rate was decreased from 2.66% to 2.18%.

Salary growth changes from an effective average of 5.00% to 4.50%.

Real wage growth and merit or seniority changes from an effective average of 2.75% and 2.25% to 2.50% and 2.00%, respectively.

Mortality rates were modified from 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 to a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

Measurement period ending June 30, 2020:

Discount rate was decreased from 2.79% to 2.66%.

Measurement period ending June 30, 2019:

Discount rate was decreased from 2.98% to 2.79%.

Measurement period ending June 30, 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.

Pequea Valley School District

SCHEDULE of the SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY - PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
HEALTH INSURANCE PREMIUM ASSISTANCE PLAN
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	.0886%	1,908,000	11,480,587	16.62%	5.47%
2017	.0924%	1,883,000	12,305,469	15.30%	5.73%
2018	.0930%	1,939,000	12,520,972	15.49%	5.56%
2019	.0958%	2,038,000	13,214,541	15.42%	5.56%
2020	.0981%	2,120,000	13,773,863	15.39%	5.69%
2021	.0941%	2,231,000	13,344,003	16.72%	5.30%

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

Defined Benefit Pension Plan	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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-	13,773,863	33.33%
2021	4,482,000	4,482,000	-0-	13,344,003	33.59%
2022	4,739,000	4,739,000	-0-	13,850,958	34.21%

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	.0855%	33,842,000	10,915,904	310.02%	57.24%
2015	.0852%	36,905,000	10,967,393	336.50%	54.36%
2016	.0886%	43,907,000	11,480,587	382.45%	50.14%
2017	.0924%	45,635,000	12,291,107	371.28%	51.84%
2018	.0930%	44,645,000	12,520,972	356.56%	54.00%
2019	.0958%	44,818,600	13,214,541	339.16%	55.66%
2020	.0983%	48,410,600	13,773,863	351.47%	54.32%
2021	.0944%	38,758,000	13,344,003	290.45%	63.67%

Note: Information is not available prior to 2014.

See independent auditors' report.

Changes of Assumptions:

Measurement period ending June 30, 2021:

Investment rate of return was adjusted from 7.25% to 7.00%.

Salary growth changed from an effective average of 5.00% to 4.50%.

Real wage growth and merit or seniority increases (components for salary growth) decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.

Mortality rates were modified from 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 to mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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, 2022

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2021	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Passed Through to Subrecipients
Child Nutrition Cluster												
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - School Breakfast Program (Note 3)	I	10.553	N/A	07/01/21 - 06/30/22	N/A	**$ -0-**	**$ 143,294**	**$ 168,362**	**$ 25,068**	**$ -0-**
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program (Note 3)	I	10.555	N/A	07/01/21 - 06/30/22	N/A	-0-	492,907	570,397	77,490	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/21 - 09/30/23	N/A	-0-	31,399	11,455	(19,944)	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	-0-	67,303	67,303	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program (Note 2)	I	10.555	N/A	07/01/21 - 06/30/22	N/A	-0- A)	24,536 B)	24,536 C)	-0- D)	-0-
			Total	**10.555**				**-0-**	**616,145**	**673,691**	**57,546**	**-0-**
			Total Child Nutrition Cluster					**-0-**	**759,439**	**842,053**	**82,614**	**-0-**
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	COVID-19 - EBT Administrative Costs	I	10.649	N/A	07/01/21 - 06/30/22	N/A	**-0-**	**614**	**614**	**-0-**	**-0-**
Special Education Cluster												
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education Grants to States	I	84.027	062-220013	07/01/21 - 09/30/22	368,648	-0-	368,648	368,648	-0-	-0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	COVID-19 - Special Education Grants to States	I	84.027	062-220013	07/01/21 - 09/30/23	68,124	-0-	3,095	3,095	-0-	-0-
			Total	**84.027**				**-0-**	**371,743**	**371,743**	**-0-**	**-0-**
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit #13	Special Education Preschool Grants	I	84.173	131-210013	07/01/21 - 06/30/22	591	**-0-**	**-0-**	**591**	**591**	**-0-**
			Total Special Education Cluster					**-0-**	**371,743**	**372,334**	**591**	**-0-**
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-220332	07/01/21 - 09/30/22	1,558,207	-0-	1,261,732	1,328,449	66,717	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies (Note 7)	I	84.010	013-210332	07/01/20 - 09/30/21	978,081	(68,585)	-0-	32,854	(35,731)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-200332	07/01/19 - 09/30/20	997,637	(2,075)	-0-	2,075	-0-	-0-
			Total	**84.010**				**$ (70,660)**	**$ 1,261,732**	**$ 1,363,378**	**$ 30,986**	**$ -0-**

See independent auditors' report.

Pequea Valley School District

SCHEDULE of EXPENDITURES of FEDERAL AWARDS

(Continued)

Year Ended June 30, 2022

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2021	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-220332	07/01/21 - 09/30/22	204,526	$ -0-	$ 205,775	$ 185,111	$ (20,664)	$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants (Note 7)	I	84.367	020-210332	07/01/20 - 09/30/21	150,668	(18,247)	-0-	17,462	(785)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-200332	07/01/19 - 09/30/20	181,266	(9,099)	-0-	9,296	197	-0-
			Total	**84.367**				**(27,346)**	**205,775**	**211,869**	**(21,252)**	**-0-**
U.S. Department of Education	Pennsylvania Department of Education	Student Support & Academic Enrichment Program	I	84.424	144-220332	07/01/21 - 09/30/22	72,638	-0-	29,038	20,446	(8,592)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support & Academic Enrichment Program	I	84.424	144-210332	07/01/20 - 09/30/21	74,102	9,870	39,521	24,033	(5,618)	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support & Academic Enrichment Program	I	84.424	144-200332	07/01/19 - 09/30/20	74,059	(3,900)	-0-	3,900	-0-	-0-
			Total	**84.424**				**5,970**	**68,559**	**48,379**	**(14,210)**	**-0-**
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 - Education Stabilization Fund	I	84.425C	252-200332	03/13/20 - 09/30/22	29,167	**(597)**	**21,491**	**22,088**	**-0-**	**-0-**
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 - Education Stabilization Fund	I	84.425D	200-210332	03/13/20 - 09/30/23	3,566,806	-0-	2,571,418	3,004,030	432,612	-0-
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 - Education Stabilization Fund	I	84.425D	200-200332	03/13/20 - 09/30/22	802,531	326,409	337,908	10,561	(938)	-0-
U.S. Department of Education	Pennsylvania Commission on Crime and Delinquency	COVID-19 - Education Stabilization Fund	I	84.425D	N/A	03/13/20 - 09/30/22	41,650	41,529	41,650	121	-0-	-0-
			Total	**84.425D**				**367,938**	**2,950,976**	**3,014,712**	**431,674**	**-0-**
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 - Education Stabilization Fund	I	84.425U	223-210332	03/13/20 - 09/30/24	7,214,616	**-0-**	**728,604**	**747,163**	**18,559**	**-0-**
			Total	**84.425**				**$ 367,341**	**$ 3,701,071**	**$ 3,783,963**	**$ 450,233**	**$ -0-**

See independent auditors' report.

Pequea Valley School District

SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2022

Federal Grantor	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2021	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Passed Through to Subrecipients
Medicaid Cluster												
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/21 - 09/30/22	N/A	$ -0-	$ 5,462	$ 12,545	$ 7,083	$ -0-
U.S. Department of Health and Human Services	Pennsylvania Department of Public Welfare	Medical Assistance Program	I	93.778	N/A	07/01/20 - 09/30/21	N/A	8,008	8,008	-0-	-0-	-0-
		Total Medicaid Cluster						**8,008**	**13,470**	**12,545**	**7,083**	**-0-**
		TOTAL EXPENDITURES of FEDERAL AWARDS						**$ 283,313**	**$ 6,382,403**	**$ 6,635,135**	**$ 536,045**	**$ -0-**

Legend
I = Indirect Funding
AL = Assistance Listing

See independent auditors' report.

Pequea Valley School District

SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2022

NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 3 - SEAMLESS SUMMER PROGRAM

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

NOTE 4 - DE MINIMIS INDIRECT COST RATE

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

NOTE 5 - 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, 2022, was $121,763 listed on the PDE confirmation as program #044-007332.

See independent auditors' report.

NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS

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.

NOTE 7 - RETURNED MONEY

The amount listed as deferred revenue at June 30, 2022, on the schedule of expenditures of federal awards includes amounts funds to be returned to the Pennsylvania Department of Education (PDE). See table below for detail on amounts due:

AL #	Pass-Through Grantor's Number	Amount Due to PDE
84.010	013-210332	2,873
84.367	020-210332	785

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, 2022, 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 December 22, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2022-001, #2022-002 and #2022-003 that we consider to be significant deficiencies.

Report on 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.*

Pequea Valley School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on **Pequea Valley School District's** response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. **Pequea Valley School District's** response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

December 22, 2022
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

Opinion on Each Major Federal Program
We have audited **Pequea Valley School District's** compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on **Pequea Valley School District's** major federal programs for the year ended June 30, 2022. **Pequea Valley School District's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, **Pequea Valley School District** complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Pequea Valley School District's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of **Pequea Valley School District's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Pequea Valley School District's** internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item #2022-004. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on **Pequea Valley School District's** response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. **Pequea Valley School District's** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2022-001 and #2022-004 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on **Pequea Valley School District's** response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. **Pequea Valley School District's** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Trout CPA

December 22, 2022
Lancaster, Pennsylvania

A. Summary of Auditors' Results

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

2. No material weaknesses and three 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 and two significant deficiencies relating to the audit of the major federal programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

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

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

7. The programs tested as major federal programs are: School Breakfast Program - AL #10.553, National School Lunch Program - AL #10.555, and Education Stabilization Fund - AL #84.425C, 84.425D and 84.425U.

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

9. **Pequea Valley School District** was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

Significant Deficiency

#2022-001 - Schedule of Expenditures of Federal Awards

Criteria: A good internal control structure includes procedures to ensure that all federal amounts received, expenditures and accrued/deferred revenues are reported on the schedule of expenditures of federal awards.

Statement of Condition: During our audit, we noted that the schedule of expenditures of federal awards required adjustments. These adjustments pertained to certain expenditures, accrued revenues, and deferred revenues.

Cause and Effect: When the schedule of expenditures of federal awards is not reconciled to the School District's accounting records, omissions of required amounts can occur.

B. Findings - Financial Statements Audit (Continued)

#2022-001 - Schedule of Expenditures of Federal Awards (Continued)

Recommendation: The School District should revise its procedures to ensure that all required amounts are included within the schedule of expenditures of federal awards.

Management Response: The School District will have a second individual review the SEFA report to ensure that all required amounts have been included.

#2022-002 - Year-End Close Process

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

Statement of Condition: During our audit, we noted that certain elements related to the year-end close process required adjustments. These adjustments included the following items: adjustments were proposed to deferred revenue within the food service fund and to accounts payable within the general fund.

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

Recommendation: The School District should revise its year-end close procedures to ensure that deferred revenues are recorded and that accounts payable recorded are appropriate.

Management Response: The School District's Food Service Department will meet quarterly with the business office to review all new programs and ensure they are accounted for accurately. At year-end, the School District will verify that deferred revenue and accounts payable were recorded accurately.

#2022-003 - Food Service Deferred Revenues

Criteria: The School District allows students and employees to prefund their future meal purchases using an online software. A good internal control structure includes procedures to reconcile the ending balance per the online software to the related deferred revenues in the food service fund’s accounting records on a monthly basis.

Statement of Condition: During our audit, we noted that the prefunded balances account of student and employee future meal purchases (deferred revenue) in the food service fund’s accounting records did not agree to the ending report detailing the actual remaining prefunded balances per the online software. Based upon discussions with management, it was noted that each month the adjustment to deferred revenue liability account is actually the difference between breakfast/lunch revenues (provided by the POS system) and cash per the cash registers. This resulted in a difference between the ending balances per the online system and the balance within the deferred revenue account of the food service fund. An adjusting journal entry was proposed to correct the discrepancy.

B. Findings - Financial Statements Audit (Continued)

#2022-003 - Food Service Deferred Revenues (Continued)

Cause and Effect: The assumption that the differences between the POS system revenue and cash per the cash registers was prefunded account activity (versus performing a monthly reconciliation of actual prefunded accounts to the online system) resulted in the recordation of unsupported amounts to the deferred revenue account throughout the year. Ultimately, there is an increased risk for the misappropriation of cash at the point of sale, as reconciliations of the prefunded accounts does not occur on a monthly basis.

Recommendation: The School District should implement a monthly reconciliation process surrounding the prefunded account balances and compare the reconciled balances to the net differences identified between the POS system and actual cash in the registers.

Management Response: The School District's Food Service Department will reconcile monthly the prefunded account activity in the cafeteria software to the School District's accounting software.

C. Findings and Questioned Costs - Major Federal Programs Audit

Significant Deficiency

#2022-001 - Schedule of Expenditures of Federal Awards

As noted in the Findings - Financial Statements Audit #2022-001 above, the schedule of expenditures of federal awards required adjustments. These adjustments pertained to certain expenditures, accrued revenues, and deferred revenues.

Significant Deficiency and Compliance Finding

#2022-004 - COVID-19 Education Stabilization Fund - AL #: 84.425D, Year Ended June 30, 2022

Criteria: The Pennsylvania Department of Education (PDE) requires the recipient of ESSER I funding to use the correct number of nonpublic low-income students that proactively affirm participation in the ESSER I grant when calculating the nonpublic schools' funding allocation.

Statement of Condition: **Pequea Valley School District** inadvertently excluded two nonpublic students in its allocation of the nonpublic school's calculated share of the ESSER I grant.

Cause and Effect: **Pequea Valley School District** did not have a second level review process in place prior to submitting the nonpublic school's allocation amount to PDE. As a result, the per pupil allocation was higher than it should have been.

Questioned Costs: None over the reportable threshold.

Identification of Repeat Finding: No

C. Findings and Questioned Costs - Major Federal Programs Audit (Continued)

#2022-004 - COVID-19 Education Stabilization Fund - AL #: 84.425D, Year Ended June 30, 2022 (Continued)

Recommendation: **Pequea Valley School District** should implement a second-level review process for its submissions to grantors for funding and reporting purposes.

Management Response: The School District's Assistant Superintendent who is responsible for Federal Programs will review and certify that per pupil calculations for non-public students are recorded accurately.

Pequea Valley School District

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Year Ended June 30, 2022

There were no prior findings.

166 S New Holland Rd, Kinzers PA 17535-0130
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www.pequeavalley.org

Corrective Action Plan

Pequea Valley School District respectfully submits the following corrective action plan for the year ending June 30, 2022.

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

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

Audit Period: July 1, 2021 through June 30, 2022.

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2022 are discussed below. The findings are numbered consistently with the number assigned in the schedule:

Findings – Financial Statements Audit

Significant Deficiency

#2022-001 - Schedule of Expenditures of Federal Awards

Criteria: A good internal control structure includes procedures to ensure that all federal amounts received, expenditures and accrued / deferred revenues are reported on the schedule of expenditures of federal awards.

Statement of Condition: During our audit, we noted that the schedule of expenditures of federal awards required adjustments. These adjustments pertained to certain expenditures, accrued revenues, and deferred revenues.

Cause and Effect: When the schedule of expenditures of federal awards is not reconciled to the School District's accounting records, omissions of required amounts can occur.

Recommendation: The School District should revise its procedures to ensure that all required amounts are included within the schedule of expenditures of federal awards.

Management Response: The School District will have a second individual review the SEFA report to ensure that all required amounts have been included.

#2022-002 - Year-End Close Process

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

Statement of Condition: During our audit, we noted that certain elements related to the year-end close process required adjustments. These adjustments included the following items: adjustments were proposed to deferred revenue within the food service fund and to accounts payable within the general fund.

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

Recommendation: The School District should revise its year-end close procedures to ensure that deferred revenues are recorded and that accounts payable recorded are appropriate.

Management Response: The School District's Food Service Department will meet quarterly with the business office to review all new programs and ensure they are accounted for accurately. At year-end, the School District will verify that deferred revenue and accounts payable were recorded accurately.

#2022-003 – Food Service Deferred Revenues

Criteria: The School District allows students and employees to prefund their future meal purchases using an online software. A good internal control structure includes procedures to reconcile the ending balance per the online software to the related deferred revenues in the food service fund's accounting records on a monthly basis.

Statement of Condition: During our audit, we noted that the prefunded balances account of student and employee future meal purchases (deferred revenue) in the food service fund's accounting records did not agree to the ending report detailing the actual remaining prefunded balances per the online software. Based upon discussions with management, it was noted that each month the adjustment to deferred revenue liability account is actually the difference between breakfast/lunch revenues (provided by the POS system) and cash per the cash registers. This resulted in a difference between the ending balances per the online system and the balance within the deferred revenue account of the food service fund. An adjusting journal entry was proposed to correct the discrepancy.

Cause and Effect: The assumption that the differences between the POS system revenue and cash per the cash registers was prefunded account activity (versus performing a monthly reconciliation of actual prefunded accounts to the online system) resulted in the recordation of unsupported amounts to the deferred revenue account throughout the year. Ultimately, there is an increased risk for the misappropriation of cash at the point of sale, as reconciliations of the prefunded accounts does not occur on a monthly basis.

Recommendation: The School District should implement a monthly reconciliation process surrounding the prefunded account balances and compare the reconciled balances to the net differences identified between the POS system and actual cash in the registers.

Management Response: The School District's Food Service Department will reconcile monthly the prefunded account activity in the cafeteria software to the School District's accounting software.

Findings and Questioned Costs - Major Federal Programs Audit

Significant Deficiency

#2022-001 - Schedule of Expenditures of Federal Awards

See Findings – Financial Statements Audit #2022-001 above.

Significant Deficiency and Compliance Finding

#2022-004 - COVID-19 Education Stabilization Fund - AL #: 84.425D, Year Ended June 30, 2022

Criteria: The Pennsylvania Department of Education (PDE) requires the recipient of ESSER I funding to use the correct number of nonpublic low-income students that proactively affirm participation in the ESSER I grant when calculating the nonpublic schools' funding allocation.

Statement of Condition: **Pequea Valley School District** inadvertently excluded two nonpublic students in its allocation of the nonpublic school's calculated share of the ESSER I grant.

Cause and Effect: **Pequea Valley School District** did not have a second level review process in place prior to submitting the nonpublic school's allocation amount to PDE. As a result, the per pupil allocation was higher than it should have been.

Questioned Costs: None over the reportable threshold.

Identification of Repeat Finding: No

Recommendation: **Pequea Valley School District** should implement a second-level review process for its submissions to grantors for funding and reporting purposes.

Management Response: The School District's Assistant Superintendent who is responsible for Federal Programs will review and certify that per pupil calculations for non-public students are recorded accurately.

If the United States Department of Education has questions regarding this plan, please call John Bowden at 717-768-5530.

Sincerely,

John A. Bowden
Chief of Finance and Operations
Pequea Valley School District