

CREDIT OPINION

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Elizabethtown Area School District, PA

Update to credit analysis

Summary

[Elizabethtown Area School District, PA](#) (Aa3) benefits from a stable financial position, manageable leverage, and growing regional economy, offset by declining enrollment.

On April 29, 2024, Moody's assigned a Aa3 rating to the district's Series of 2024 general obligation limited tax (GOLT) bonds.

Credit strengths

- » Demonstrated willingness to raise revenues
- » Manageable fixed-costs

Credit challenges

- » Reserves, while stable, fall below category medians
- » Declining enrollment

Rating outlook

Outlooks are not assigned to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Material growth in fund balance ratio to above 25% of revenue
- » Positive enrollment trend

Factors that could lead to a downgrade

- » Material and sustained draws on reserves and liquidity to below 17% of revenue
- » Additional borrowing or pension liability growth to over 300% of revenue
- » Acceleration of negative enrollment trend

Key indicators

Exhibit 1

Elizabethtown Area School District, PA

	2020	2021	2022	2023	Aa Medians
Economy					
Resident income	109.6%	110.5%	109.0%	N/A	117.7%
Full value (\$000)	\$1,989,181	\$2,076,722	\$2,108,132	\$2,278,889	\$4,116,112
Population	32,061	31,983	32,153	N/A	33,491
Full value per capita	\$62,044	\$64,932	\$65,566	N/A	\$118,409
Enrollment	3,882	3,691	3,664	3,643	4,140
Enrollment trend	0.2%	-1.2%	-2.0%	-2.1%	-1.1%
Financial performance					
Operating revenue (\$000)	\$64,986	\$69,275	\$71,519	\$78,931	\$72,169
Available fund balance (\$000)	\$7,197	\$9,278	\$11,652	\$16,139	\$19,387
Net cash (\$000)	\$10,371	\$12,381	\$14,944	\$20,076	\$23,204
Available fund balance ratio	11.1%	13.4%	16.3%	20.4%	28.9%
Net cash ratio	16.0%	17.9%	20.9%	25.4%	33.5%
Leverage					
Debt (\$000)	\$57,835	\$55,666	\$52,802	\$50,110	\$52,993
ANPL (\$000)	\$94,891	\$113,390	\$116,794	\$76,903	\$126,556
OPEB (\$000)	\$8,968	\$12,360	\$12,807	\$5,753	\$9,318
Long-term liabilities ratio	248.8%	261.9%	255.0%	168.2%	339.9%
Implied debt service (\$000)	\$3,634	\$4,142	\$3,904	\$3,688	\$3,664
Pension tread water (\$000)	\$4,124	\$4,431	\$3,941	\$3,591	\$3,207
OPEB contributions (\$000)	\$586	\$670	\$358	\$356	\$333
Fixed-costs ratio	12.8%	13.3%	11.5%	9.7%	12.2%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Elizabethtown Area School District, PA's financial statements and Moody's Ratings

Profile

Elizabethtown Area School District is located in [Lancaster County](#) (Aa2) approximately 100 miles west of [Philadelphia](#) (A1 stable) and 22 miles southeast of Harrisburg. The district covers approximately 60 square miles which includes the Borough of Elizabethtown and the townships of West Donegal, Conoy and part of Mount Joy. The district has enrollment of approximately 3,600 students and operates three elementary schools, one middle school and one high school.

Detailed credit considerations

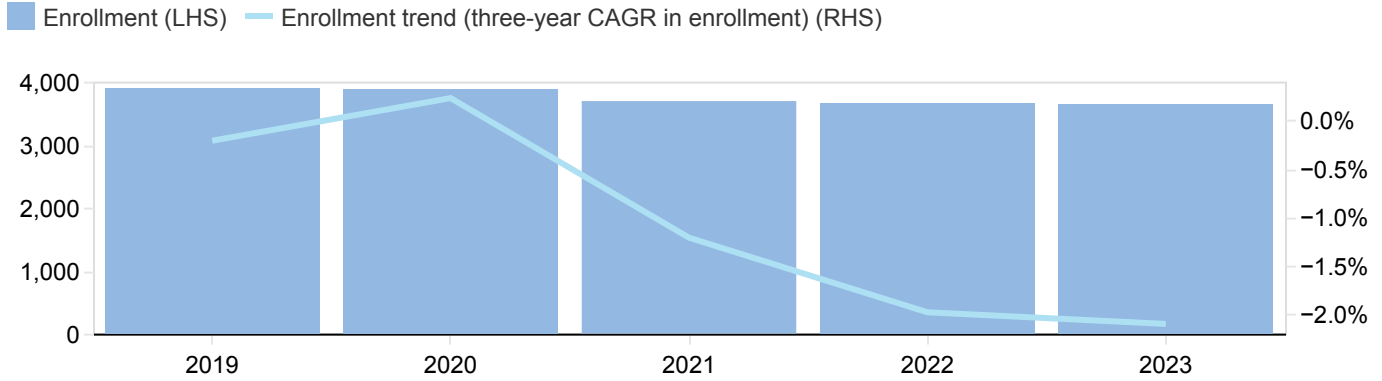
Elizabethtown Area School District, PA benefits from a growing regional economy anchored by the City of Lancaster (A3 stable) and the institutional presence of Elizabethtown College. Ongoing development has increased full value at a compound rate of 4.6% annually over the past five years – a trend that will persist in the near term. Despite population growth over the past decade, the district has seen a 2.1% decline in enrollment the past three years. Management projects enrollment to decline by approximately 200 students over the next five years due to smaller elementary and secondary level class sizes. There is some cyber/charter pressure on enrollment. However, outside enrollment in such programs has declined in recent years; associated costs amounted to \$1.9 million (2.4% of revenue) in fiscal 2023.

Elizabethtown Area School District's financial operations will continue to exhibit stability supported by conservative budgeting and expenditure management. The district concluded fiscal 2023 with a fifth consecutive operating surplus that brought fund balance to \$16.1 million or 20.4% of revenue, its highest level since fiscal 2019. Liquidity levels have seen similar growth with unrestricted net cash at \$20.1 million or 25.4% of revenue. Notably, there is an additional \$8.9 million (11.2% of revenue) in the capital projects fund. Management anticipates fiscal 2024 to end positively with another surplus added to fund balance. Leverage will grow to a manageable 183% following the issuance of the Series of 2024 bonds. There are no plans for future borrowing at this time.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Economy

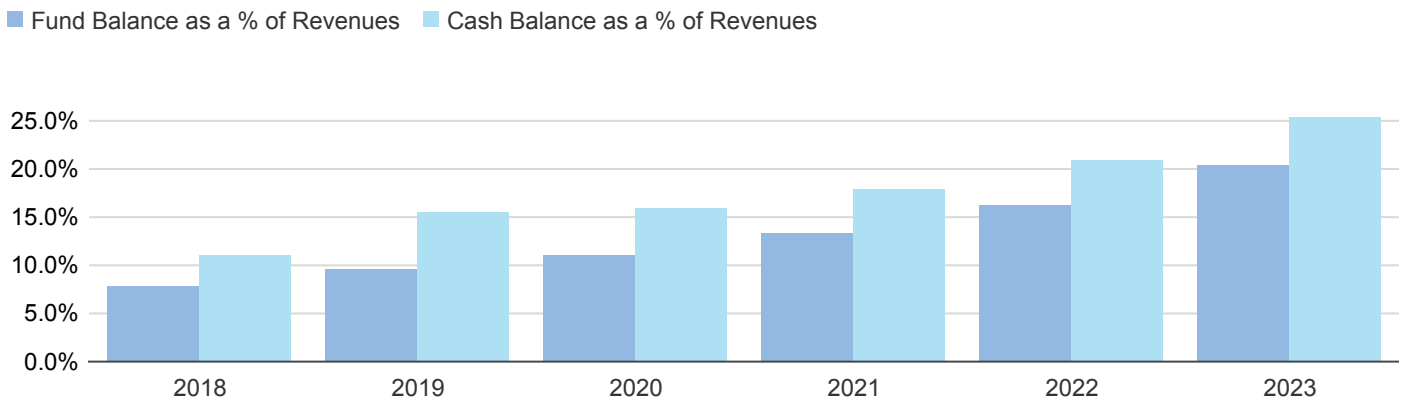
Exhibit 2
Enrollment



Source: Moody's Ratings

Financial operations

Exhibit 3
Financial Trends



Source: Moody's Ratings

ESG considerations

Elizabethtown Area School District's ESG Credit Impact Score of CIS-2 reflects the limited impact that environmental, social and governance risks have on the district's credit quality.

Environmental

Elizabethtown Area School District has relatively low exposure to environmental risks across all categories, including physical climate risks, carbon transition, water management, natural capital and waste and pollution.

Social

Elizabethtown Area School District has relatively low exposure to social risks across all categories, including demographics, labor and income, education, housing, health and safety and access to basic services. Population grew markedly over the last decade, though the percentage of school-aged children in the district is below the median of school districts we rate. Moreover, the percent of school-aged children in poverty in the district is below the national average. The graduation rate approximates the national average. Lancaster

County's housing affordability index is above the national index, and its life expectancy approximates the national level. Violent crime rates are below the national level. The district has access to basic services.

Governance

Elizabethtown Area School District has limited exposure to governance risk. The district's transparency and disclosure is in line with peers, and the district has exhibited solid budget management. The district's capture rate (the percentage of school-aged children within the district's boundaries who attend the district) is somewhat behind peers. The institutional structure for all Pennsylvania school districts is solid.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 4

Elizabethtown Area School District, PA

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	109.0%	10.0%	Aa
Full value per capita (full valuation of the tax base / population)	70,876	10.0%	A
Enrollment trend (three-year CAGR in enrollment)	-2.1%	10.0%	Baa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	20.4%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	25.4%	10.0%	Aaa
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	183.0%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	9.7%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			Aa3

The complete list of outstanding ratings assigned to the Elizabethtown Area School District, PA is available on their [issuer page](#). Details on the current ESG scores assigned to the Elizabethtown Area School District, PA are available on their [ESGView page](#).

Sources: US Census Bureau, Elizabethtown Area School District, PA's financial statements and Moody's Ratings

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

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