



**Conestoga Valley
School District
Lancaster, Pennsylvania
Lancaster County**

Financial Statements
Year Ended June 30, 2023



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CONESTOGA VALLEY SCHOOL DISTRICT

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CONESTOGA VALLEY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Conestoga Valley School District
Lancaster, Pennsylvania**

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Conestoga Valley School District, Lancaster, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Conestoga Valley 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 Conestoga Valley School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Conestoga Valley 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.

Change in Accounting Principle

As described in Notes 1 and 16 to the financial statements, Conestoga Valley School District adopted new accounting guidance, GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Conestoga Valley School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Conestoga Valley 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 Conestoga Valley School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 15 and 53 through 58 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.

Report on Summarized Comparative Information

We have previously audited Conestoga Valley School District's 2022 financial statements, and our report dated November 8, 2022 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

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

Other Information

Management is responsible for the other information in the financial statements on pages 74 through 81. The other information does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, on our consideration of Conestoga Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conestoga Valley School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
November 16, 2023**

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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

DISTRICT PROFILE

The District consists of four elementary schools, one middle school, one high school and a virtual academy with a student population of approximately 3,973 students. The District is located in central Lancaster County adjacent to the City of Lancaster, Pennsylvania and covers an area approximately 54 square miles that is comprised of East Lampeter, Upper Leacock and West Earl Townships. During 2022-2023, there were 409 employees in the District consisting of 335 teachers, 25 administrators, including general administration, principals and supervisors and 49 support personnel including administrative assistants and technology staff.

The mission of the District is "To educate all students to strive for personal excellence, while becoming caring and contributing citizens in a global community."

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit in total net position at the close of the 2022-2023 fiscal year of \$12,123,316. During the 2022-2023 fiscal year, the District had an increase in total net position of \$12,928,272. The net position of governmental activities increased by \$12,368,144 and the net position of the business-type activities increased by \$560,128.
- The General Fund reported an increase of fund balance of \$222,027, bringing the cumulative balance to \$16,685,807 at the conclusion of the 2022-2023 fiscal year.
- At June 30, 2023, the General Fund fund balance includes:
 - ◆ \$117,785 which is considered non-spendable
 - ◆ \$2,240,809 committed to retirement rate stabilization
 - ◆ \$370,000 committed to health savings account reserves
 - ◆ \$500,000 committed to special education costs
 - ◆ \$1,836,000 committed for future debt service obligations
 - ◆ \$2,350,000 committed for assessment appeals and tax increment financing
 - ◆ \$1,900,000 committed for inflation stabilization

The remaining \$7,371,213 is unassigned and represents 7.82% of the \$94,270,451 2023-2024 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a school district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.

- Actual revenues and other financing sources were \$820,217, or 0.92%, more than budgeted amounts and actual expenditures and other financing uses were \$438,039, or 0.49%, less than budgeted amounts resulting in a net positive variance of \$1,258,256.
 - At the end of the current fiscal year, the District had total general obligation debt of \$137,923,601 consisting of \$126,935,000 in bonds payable, \$4,513,343 in notes payable, and net deferred credits of \$6,475,258.
 - The District's general obligation debt is backed by the full faith of the District and decreased by \$3,450,702, or 2.44%, during the fiscal year.
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CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

- The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$88,072,728 as of June 30, 2023. The District's net pension liability increased by \$5,671,871 or 6.88% during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

The government-wide financial statements can be found on Pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

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

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Governmental Funds

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

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

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

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

The governmental fund financial statements can be found on Pages 18 through 21 of this report.

Proprietary Funds

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

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 22 through 24 of this report.

Fiduciary Funds

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

The fiduciary fund financial statements can be found on Pages 24 and 26 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 27 through 52 of this report.

Other Information

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

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

The required supplementary information and additional analysis can be found on Pages 53 through 62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may over time serve as a useful indicator of the District's financial condition. At the close of the 2022-2023 fiscal year, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$12,123,316. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	\$ 91,277,558	\$105,014,560	\$1,879,753	\$1,495,901	\$ 93,157,311	\$106,510,461
Noncurrent assets	139,609,595	116,259,957	980,431	831,122	140,590,026	117,091,079
Total assets	<u>230,887,153</u>	<u>221,274,517</u>	<u>2,860,184</u>	<u>2,327,023</u>	<u>233,747,337</u>	<u>223,601,540</u>
DEFERRED OUTFLOWS OF RESOURCES						
	15,278,210	16,672,576	-	-	15,278,210	16,672,576
LIABILITIES						
Current liabilities	19,558,820	16,288,851	61,928	88,895	19,620,748	16,377,746
Noncurrent liabilities	236,046,653	233,879,296	-	-	236,046,653	233,879,296
Total liabilities	<u>255,605,473</u>	<u>250,168,147</u>	<u>61,928</u>	<u>88,895</u>	<u>255,667,401</u>	<u>250,257,042</u>
DEFERRED INFLOWS OF RESOURCES						
	5,481,462	15,068,662	-	-	5,481,462	15,068,662
NET POSITION (DEFICIT)						
Net investment in capital assets	44,919,116	38,736,680	980,431	831,122	45,899,547	39,567,802
Restricted	7,619,758	5,485,306	-	-	7,619,758	5,485,306
Unrestricted (deficit)	(67,460,446)	(71,511,702)	1,817,825	1,407,006	(65,642,621)	(70,104,696)
Total net position (deficit)	<u>\$ (14,921,572)</u>	<u>\$ (27,289,716)</u>	<u>\$2,798,256</u>	<u>\$2,238,128</u>	<u>\$ (12,123,316)</u>	<u>\$ (25,051,588)</u>

The District's total assets as of June 30, 2023 were \$233,747,337 of which \$80,226,196 or 34.32% consisted of unrestricted cash and investments, and \$140,590,026 or 60.15% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2023 were \$255,667,401 of which \$137,923,601 or 53.95% consisted of general obligation debt used to acquire and construct capital assets, and \$88,072,728 or 34.45% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$65,642,621 at June 30, 2023. The District's unrestricted net position increased by \$4,462,075 during 2022-2023 primarily due to the current year results of operations offset by the change in the District's actuarially determined net pension liability and the related deferred outflows of resources and deferred inflows of resources.

A portion of the District's net position reflects its restricted net position which totaled \$7,619,758 as of June 30, 2023. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2023, the District's net investment in capital assets increased by \$6,331,745 because capital assets acquired and repayment of debt used to acquire capital assets exceeded depreciation expense.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	\$ 496,314	\$ 326,785	\$ 622,877	\$ 153,912	\$ 1,119,191	\$ 480,697
Operating grants and contributions	21,249,529	14,380,835	2,086,230	2,904,174	23,335,759	17,285,009
General revenues						
Property taxes levied for general purposes	51,137,101	49,016,042	-	-	51,137,101	49,016,042
Earned income taxes levied for general purposes	5,935,811	5,956,887	-	-	5,935,811	5,956,887
Other taxes	2,162,742	1,889,289	-	-	2,162,742	1,889,289
Grants and entitlements not restricted to specific programs	7,134,634	6,035,121	-	-	7,134,634	6,035,121
Investment earnings	2,853,250	138,711	19,202	574	2,872,452	139,285
Total revenues	<u>90,969,381</u>	<u>77,743,670</u>	<u>2,728,309</u>	<u>3,058,660</u>	<u>93,967,690</u>	<u>80,802,330</u>
EXPENSES						
Instruction	49,430,256	47,615,281	-	-	49,430,256	47,615,281
Instructional student support services	6,487,417	5,401,230	-	-	6,487,417	5,401,230
Administrative and financial support services	6,373,961	5,814,705	-	-	6,373,961	5,814,705
Operation and maintenance of plant services	6,676,060	5,401,801	-	-	6,676,060	5,401,801
Pupil transportation	3,298,199	3,145,423	-	-	3,298,199	3,145,423
Student activities	1,815,201	1,582,505	-	-	1,815,201	1,582,505
Community services	23,307	10,387	-	-	23,307	10,387
Interest, swap termination fees and amortization expense related to non-current liabilities	4,238,405	2,873,376	-	-	4,238,405	2,873,376
Food service	-	-	2,426,612	2,331,409	2,426,612	2,331,409
Total expenses	<u>78,342,806</u>	<u>71,844,708</u>	<u>2,426,612</u>	<u>2,331,409</u>	<u>80,769,418</u>	<u>74,176,117</u>
Change in net position (deficit) before transfers	12,626,575	5,898,962	301,697	727,251	12,928,272	6,626,213
Transfers	(258,431)	(406,192)	258,431	406,192	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$12,368,144</u>	<u>\$ 5,492,770</u>	<u>\$ 560,128</u>	<u>\$1,133,443</u>	<u>\$12,928,272</u>	<u>\$ 6,626,213</u>

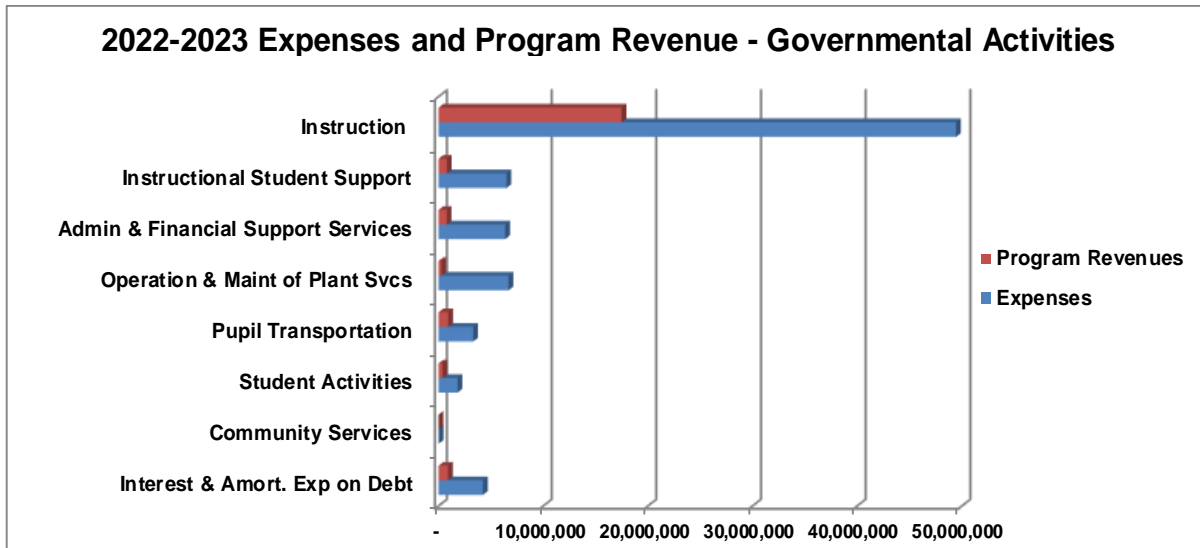
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in the future. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. The District's property tax base is evenly distributed between residential and commercial properties, which deviates from the County average that tends to be more residential in nature. Successful property value tax assessment appeals related to commercial properties have offset gains in property tax assessments in recent years.

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

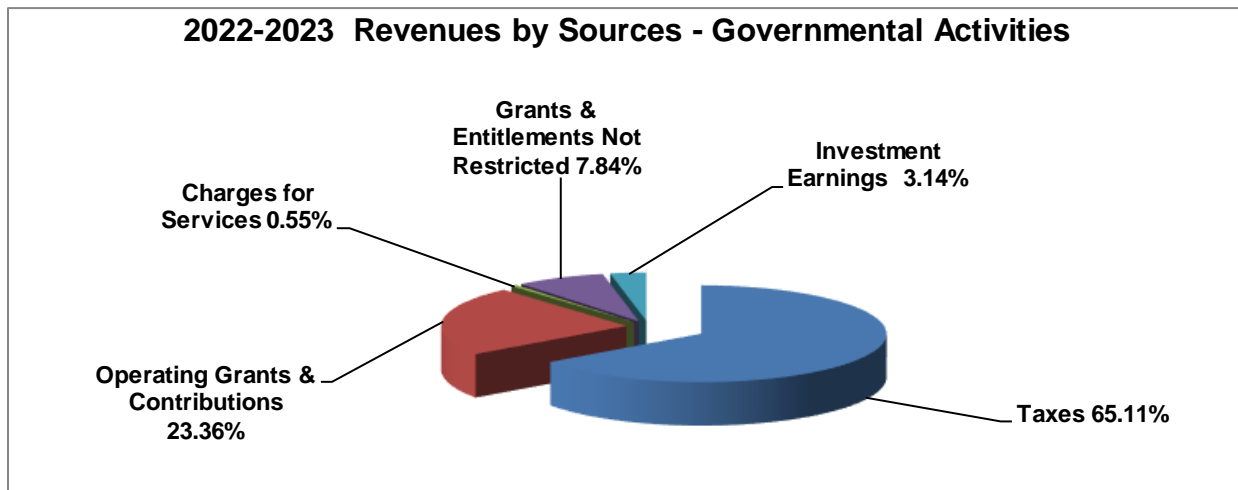
CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023



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



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined fund balance of \$69,364,565 which is a decrease of \$17,904,354 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022, and the total 2023 change in governmental fund balances.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General Fund	\$16,685,807	\$16,463,780	\$ 222,027
Capital Projects Fund	52,270,585	70,389,174	(18,118,589)
Debt Service Fund	-	-	-
Nonmajor Governmental Funds	<u>408,173</u>	<u>415,965</u>	<u>(7,792)</u>
	<u>\$69,364,565</u>	<u>\$87,268,919</u>	<u>\$(17,904,354)</u>

CONESTOGA VALLEY SCHOOL DISTRICT

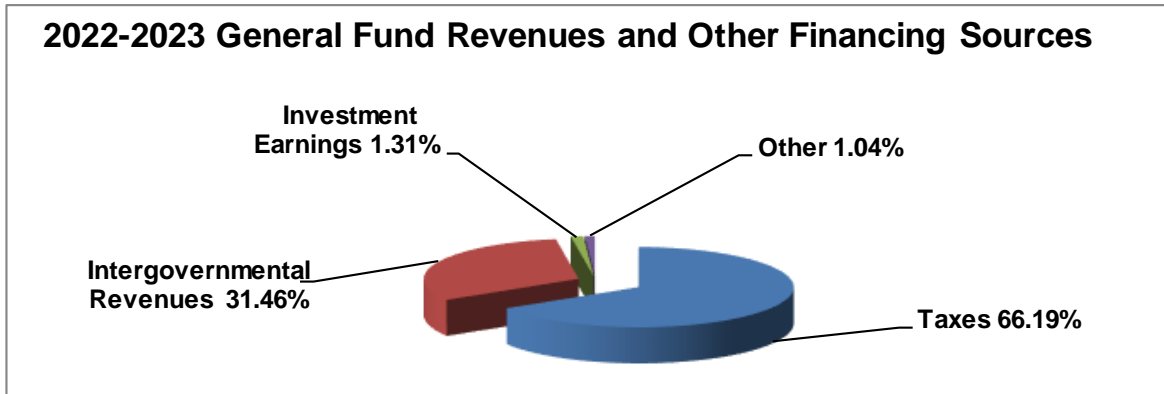
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$16,685,807, representing an increase of \$222,027 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below indicates 66.19% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$59,476,880	\$56,746,113	\$ 2,730,767	4.81
Intergovernmental revenues	28,272,470	20,233,029	8,039,441	39.73
Investment earnings	1,175,435	42,565	1,132,870	2,661.51
Other	934,320	819,959	114,361	13.95
	<u>\$89,859,105</u>	<u>\$77,841,666</u>	<u>\$12,017,439</u>	<u>15.44</u>

Intergovernmental revenues increased primarily due to federal funding through the Elementary and Secondary School Emergency Relief Fund ("**ESSER**"), the purpose of which was to assist school districts in offsetting revenue decreases and support additional costs incurred resulting from the economic impact of COVID-19. In addition, the state budget allocation provided additional funding to public education which increased the basic education and the special education subsidies.

Investment earnings increased significantly compared to the prior year due to the current interest rate environment.

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$50,696,130	\$48,123,504	\$2,572,626	5.35
Interim tax	127,444	316,236	(188,792)	(59.70)
PURTA tax	53,216	52,069	1,147	2.20
Local services tax	275,885	262,322	13,563	5.17
Earned income tax	5,935,811	5,956,887	(21,076)	(0.35)
Transfer tax	1,484,055	1,218,939	265,116	21.75
Amusement tax	348,867	348,867	-	-
Delinquent real estate tax	554,753	460,197	94,556	20.55
Delinquent per capita tax	719	7,092	(6,373)	(89.86)
	<u>\$59,476,880</u>	<u>\$56,746,113</u>	<u>\$2,730,767</u>	<u>4.81</u>

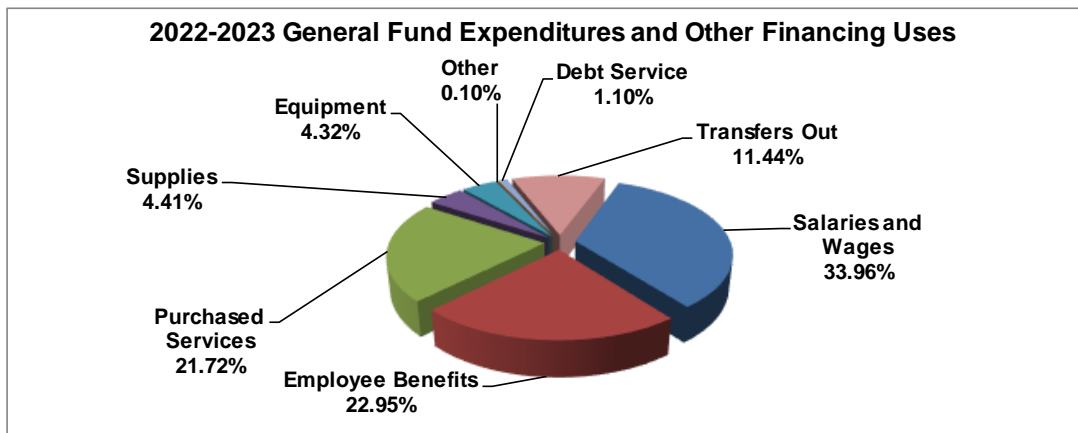
CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Net tax revenues increased by \$2,730,767 or 4.81% due to several factors. A millage increase of 3.40% in 2022-2023, tax assessment base growth, increase in real estate tax collection percentage, and in increase in collections for earned income accounted for a majority of the current year increase in revenue.

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



General Fund Expenditures and Other Financing Uses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$30,449,287	\$29,232,334	\$ 1,216,953	4.16
Employee benefits	20,572,077	19,358,675	1,213,402	6.27
Purchased services	19,468,929	17,358,066	2,110,863	12.16
Supplies	3,953,363	3,511,066	442,297	12.60
Equipment	3,868,597	307,591	3,561,006	1,157.71
Other	85,493	83,759	1,734	2.07
Debt service	986,071	-	986,071	100.00
Transfers out	<u>10,253,261</u>	<u>7,252,957</u>	<u>3,000,304</u>	<u>41.37</u>
	<u>\$89,637,078</u>	<u>\$77,104,448</u>	<u>\$12,532,630</u>	<u>16.25</u>

Salaries and wages increased by \$1,216,953 or 4.16%. The scheduled salary increase within the District's negotiated collective bargaining agreement as well as increases for other staff and new positions account for the increase in salaries and wages.

Employee benefits increased by \$1,213,402 or 6.27% in 2022-2023 compared to 2021-2022 primarily due to an increase in healthcare costs of \$603,300 and an increase of \$543,700 in the required annual retirement contribution to PSERS. The PSERS retirement contribution rate increased from 34.94% to 35.26% of salaries and wages.

Purchased services increased by \$2,110,863 or 12.16%. Transportation costs increased by \$183,000 in 2022-2023 over the prior year due to the additional bussing miles and the addition of another bus. ESSER funds were used towards Pennsylvania Department of Education ("**PDE**") approved capital projects. Tuition costs and special education costs increased as a result of additional students being placed in specialized programs. The District contracts with a third-party to provide staffing services for custodial, maintenance, grounds, food service, personal care assistants and paraprofessionals. The costs for those services were higher than the previous year not only because of the increase in the cost of the services but also because there were not as many position vacancies. In addition, costs for providing substitute teachers through a third -party was also higher than the previous year due to an increased need for substitute teachers to fill teacher vacancies.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Supplies increased by \$442,297 or 12.60%. The supplies category includes technology items including software and small equipment purchases. The costs in 2022-2023 included items purchases with ESSER funds to support educational needs.

Equipment increased by \$3,561,006 or 1,157.71%. This increase is a result of a PDE approved HVAC capital project paid with ESSER funds.

Transfers out increased by \$3,000,304 or 41.37% due to scheduled increases in debt service expenditures of \$1,800,000 and an increase of \$1,200,000 for the transfer into the Capital Reserve Fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022-2023, the Capital Projects Fund reported a decrease in fund balance of \$18,118,589 due to capital expenditures in excess of transfers from the General Fund in excess of amounts expended for capital expenditures. The remaining fund balance of \$52,270,585 as of June 30, 2023 is restricted for future capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the District's outstanding general obligation debt. Transfers are made during the year from the General Fund to finance debt service payments as they become due.

GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were \$820,217 or 0.92% more than budgeted amounts and actual expenditures and other financing uses were \$438,039 or 0.49% less than budgeted amounts resulting in a net positive variance of \$1,258,256. Major budgetary highlights for 2022-2023 were as follows:

- Real estate tax collections were approximately \$421 thousand over budget primarily due to a higher collection percentage and a large real estate assessment appeal of \$482 thousand settled in the District's favor.
- Realty transfer taxes were approximately \$614 thousand over budget due to several large commercial property sales. The increase is also a reflection of the strong housing market in the area.
- Interest income was over budget by approximately \$990 thousand due to the increase in interest rates.
- Basic education subsidy was higher than budget by approximately \$350 thousand. The 2022-2023 District budget was approved on June 20, 2022. The state's budget was approved on July 8, 2022 and included additional appropriations being funded for education which was not anticipated during the District's budget preparation process.
- Rental subsidies were approximately \$849 thousand over budget. PDE had placed a moratorium on funding future PlanCon construction and renovation projects. However, PDE began funding the District's projects that were submitted at the time of the moratorium. These funds received in 2022-2023 have been transferred to the Capital Reserve Fund.
- Federal source revenues were approximately \$2.2 million less than budget due to less than anticipated ESSER expenditures in 2022-2023.
- Salaries were under budget by approximately \$561 thousand due to administrative, professional and support staff open positions throughout the year. Additionally, social security and PSERS costs were also under budget as these costs are based upon a percentage of salary.
- The District contracts with a third-party to provide substitute teachers. The cost for this service was approximately \$174 thousand more than budget due to the professional staff vacancies.
- The District contracts with a third-party to provide custodial, maintenance, grounds, food service, personal care assistants and paraprofessional services. The cost for these services was under budget by approximately \$351 thousand primarily due to open positions.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

- Contracted services for transportation were more than original budget by approximately \$283 thousand. During the 2022-2023 year, the District added buses and recognized an overall increase in bus and van mileage. Additionally, the formula to calculate the transportation costs is based on the PDE transportation cost index which increased to 7.10% contributing to the increase in transportation costs.
- Tuition costs were over budget by approximately \$464 thousand due to an increase in placements of students requiring specialized services.
- Energy and bus fuel costs were approximately \$205 thousand over budget due to increasing prices.
- Facilities acquisition, construction and improvement services were approximately \$4 million more than originally budgeted due to the transfer of ESSER funds to be use for PDE approved capital projects.
- Interfund transfers in and out of the General Fund were higher than the original budget due to transferring the General Fund surplus to the Capital Reserve Fund to support future construction and renovation costs.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2022-2023, the net position of the business-type activities and Food Service Fund increased by \$560,128. As of June 30, 2023, the business-type activities and Food Service Fund had net position of \$2,798,256.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$140,590,026 net of accumulated depreciation. This investment in capital assets includes land, site improvements, buildings and improvements, furniture and equipment including vehicles and right-to-use lease and subscription assets. The total increase in the District's net investment in capital assets for the current fiscal year was \$23,498,947 or 20.07%. The increase was the result of current year capital additions in excess of depreciation expense and loss on disposals.

Current year capital expenditures were \$27,666,167 and depreciation expense and the net book value of disposed of capital assets was \$4,167,220.

Major capital additions for the current fiscal year included the following:

- | | |
|--|--------------|
| • New Gerald G. Huesken Middle School – construction in progress | \$ 7,316,831 |
| • New Gerald G. Huesken Middle School – furniture and equipment | \$ 1,523,637 |
| • Smoketown Elementary School – construction in progress | \$15,308,017 |

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$137,923,601 consisting of \$126,935,000 in bonds payable, \$4,513,343 in notes payable, and net deferred credits of \$6,475,258. The District's general obligation debt is backed by the full faith of the District and decreased by \$3,450,702 or 2.44% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$182,526,534 which exceeds the District's outstanding general obligation debt as of June 30, 2023.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$88,072,728 as of June 30, 2023. The District's net pension liability increased by \$5,671,871 or 6.88% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$6,746,061 as of June 30, 2023. The District's OPEB liability decreased by \$1,391,058 or 17.10% during the fiscal year.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Other noncurrent liabilities consist of the District's liabilities for leases payable, subscriptions payable, accrued retirement bonuses, and compensated absences which totaled \$3,304,263 as of June 30, 2023. These liabilities increased by \$1,337,246 or 67.98% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District adopted a balanced 2023-2024 budget totaling \$94,270,451 which used \$1,987,022 of committed General Fund fund balance as of June 30, 2023 to balance the 2023-2024 budget and raised the real estate tax millage by 2.76%.

The current contract between the Conestoga Valley School Board and the Conestoga Valley Education Association was approved in May 2019 and expires June 2024. Under the contract, the District discontinued offering low and medium preferred provider organization ("**PPO**") plans and continued only the high-deductible health care plan. The deductibles on the plan are \$2,000 single and \$4,000 family. The plan comes with a Health Savings Account ("**H.S.A.**") to which the District will offer matching contributions of up to 30% of the deductible in the second and third years, and up to 35% of the deductible in the fourth and fifth years. Employees will also be able to reduce their premium costs by participating in an outcome-based wellness rewards program. The average salary increase of the contract is 3.18%, with increases of 3.10% in the second year and 3.00% in years three, four and five.

The District contracts with SOS of Lancaster to provide food service, custodial, maintenance, and instructional aide positions. As such, the District continues to recognize annual savings in PSERS retirement and healthcare costs from outsourcing these positions.

The District considers its financial condition to be sound and believes its local community support to be very positive. Future financial condition may be challenged by significant increases in the cost of District contributions to its employees' state retirement plan (contributions are paid by the District on behalf of its participating employees). As the employer contribution rate levels off, increases in the rate are not as significant; however, the rate is projected to be 38.35% in 2030-2031.

In May 2017, the School Board authorized the District to move forward with building a new 6-8 middle school and renovating the remaining buildings. The renovation of Brownstown Elementary School is complete. The new middle school was opened for the 2022/2023 school year. The District issued a fourth general obligation bond issue in the amount of \$45,560,000 which settled in May 2022. This bond issue is for the purpose of continued renovations to the remaining District buildings. While this necessitates a substantial increase in debt service as current debt is paid off, the structure and timing of the new bond issues will have minimal impact on the amount of millage needed in the budget. The District approved bids to renovate the existing middle school in July 2022. The renovations to the Leola Elementary School is the next project. Bids are expected to be opened in November 2023.

As part of the District's comprehensive financial plan for District-wide renovations and construction of a new middle school facility, the Board of Directors evaluated its funding options and decided to enter into two separate cash settled swaps for the two \$40,000,000 bond issues in an effort to hedge against anticipated interest rate increases and protect the affordability of the projects. The first cash settle hedge, related to the general obligation bonds, Series of 2019, was terminated on August 1, 2019. The second hedge which was scheduled to be terminated in August, 2020, was extended and was terminated in May 2021. As current debt is paid off, the structure and timing of the recent bond issues have minimal impact on the existing level of annual debt service payments. However, the District will need to continue to make room in upcoming budgets to phase in the additional debt service that is needed to fund these borrowings.

As referenced above, the 2023-2024 budget uses \$1,987,022 of General Fund committed fund designated for the employer retirement stabilization, health savings account reserves, future debt service obligations, anticipated inflationary factors and increasing special education costs. The 2023-2024 budget continues to reflect the above average cyber charter tuition costs. However, these costs are less than 2022-2023 as the District anticipates that students gradually returning to in-person learning or the Conestoga Valley Virtual Academy.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

With the exception of the increase in the state retirement and basic education subsidy, support from the state is budgeted at levels consistent with the previous year. A new basic education subsidy formula was enacted beginning with the 2016-2017 fiscal year. The purpose of this new formula is to distribute this subsidy in an equitable manner according to various student and district factors such as student enrollment and district poverty levels, and provides for a local wealth adjustment and a local tax effort and capacity adjustment.

The District prepares its budget in accordance with the mandates of Act 1 of 2006 ("**Act 1**"). Act 1 is likely to continue to have an effect on the financial activity of the District in future years. The Act places an (index) cap on the percent increase that the District may raise its real estate tax millage rate without requiring approval from voters in a back-end referendum. The index for the 2022-2023 fiscal year was 3.40%, the index for 2023-2024 was 4.10%, and the index for 2024-2025 will be 5.30%. Certain exceptions may be approved by the Pennsylvania Department of Education for retirement or special education costs that would permit the District to exceed this index without requiring voter approval. The available exceptions have been reduced from the 10 exceptions that had been available to the District in previous years under Act 1 of 2006. In the event that the rate of increase would exceed this Act 1 index rate, including any permissible exceptions, the District would be required to place a referendum question on the primary election ballot asking the taxpayers to approve the higher millage rate increase. School districts also have the option to adopt a resolution that the final budget will not exceed the (index) percent in the real estate tax rate to be assessed on properties located in the school district. The final date for availability for public inspection for the 2024-2025 preliminary budget or for adoption of a resolution not to exceed the index will be December 11, 2023.

The District was awarded a total amount of \$13,371,048 in ESSER II and III funding. The ESSER II grant in the amount of \$4,423,529 was spent by September 30, 2023, as required, and the ESSER III (referred to as ARP ESSER) grant in the amount of \$8,947,519 must be spent by September 30, 2024. Each of these grants have very specific guidelines on the allowable uses of the funds as it relates to COVID-19. The District has developed a plan for the use of these funds over the applicable fiscal years and has shared that information publicly during the 2021-2022 and 2022-2023 budget presentations. The 2023-2024 budget includes \$6,779,221 of ESSER II and ESSER III funding. The District anticipates that the ESSER III grant will be concluded by June 30, 2024.

The District maintains an AA rating (the second highest rating) from Standard & Poor's Corp., one of America's top bond credit rating agencies. Standard & Poor's comment included the following: "After strong financial performance in the past three years, the District is well-positioned to navigate the post-pandemic recovery period through its very strong available fund balance that will provide ample cushion against potential revenue losses due to any lingering financial and economic effects from the recent recession. Recent and ongoing development within the local economy continues to provide stability since property tax revenue accounts almost three-quarters of general fund revenue. S&P Global Ratings is optimistic that the recovery is beginning to accelerate, which is expected to result in additional GDP growth (see S&P Global Economics' report "Economic Outlook U.S. Q2 2021: Let The Good Times Roll," published March 24, 2021, on RatingsDirect). The stable outlook reflects our expectation that management will continue to steer the District's return to an operationally balanced budget for fiscal 2023 and beyond, thereby maintaining the very strong reserves and flexibility this provides if revenues fluctuate."

The District maintains an Aa2 rating (the third highest rating) from Moody's, one of Americas top bond credit rating agencies. Calling the Districts financial position "healthy with strong reserves and liquidity," Moody's states that the District is "best characterized by its high degree of stability". As challenges, the agency listed the expected increase in the District's debt burden as a result of forthcoming new issuances of debt.

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

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Finance and Operations Officer or the Director of Finance, Conestoga Valley School District, 2110 Horseshoe Road, Lancaster, PA 17601.

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023 with summarized comparative totals for 2022

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 39,809,551	\$ 1,617,455	\$ 41,427,006	\$ 84,732,025
Investments	38,799,190	-	38,799,190	11,155,605
Taxes receivable	2,236,057	-	2,236,057	1,944,415
Due from other governments	5,920,591	28,337	5,948,928	3,657,337
Internal balances	(131,040)	131,040	-	-
Other receivables	748,327	33,379	781,706	756,286
Escrow deposits	3,497,570	-	3,497,570	3,316,328
Prepaid expenses	397,312	375	397,687	877,840
Inventories	-	69,167	69,167	70,625
Total current assets	91,277,558	1,879,753	93,157,311	106,510,461
NONCURRENT ASSETS				
Capital assets, net	139,609,595	980,431	140,590,026	117,091,079
Total assets	230,887,153	2,860,184	233,747,337	223,601,540
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	13,686,467	-	13,686,467	15,272,528
Deferred charges OPEB - single employer	819,560	-	819,560	504,129
Deferred charges on proportionate share of OPEB - PSERS	772,183	-	772,183	895,919
Total deferred outflows of resources	15,278,210	-	15,278,210	16,672,576
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	8,844,290	1,070	8,845,360	6,474,101
Accrued salaries, payroll withholdings and benefits	7,538,805	1,238	7,540,043	7,689,541
Accrued interest payable	1,698,568	-	1,698,568	1,435,385
Grants received in advance	1,307,836	-	1,307,836	548,064
Unearned revenue	169,321	59,620	228,941	230,655
Total current liabilities	19,558,820	61,928	19,620,748	16,377,746
NONCURRENT LIABILITIES				
Due within one year	4,219,810	-	4,219,810	3,896,320
Due in more than one year	231,826,843	-	231,826,843	229,982,976
Total noncurrent liabilities	236,046,653	-	236,046,653	233,879,296
Total liabilities	255,605,473	61,928	255,667,401	250,257,042
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	3,155,000	-	3,155,000	14,247,000
Deferred credits OPEB - single employer	1,400,462	-	1,400,462	752,662
Deferred credits on proportionate share of OPEB - PSERS	926,000	-	926,000	69,000
Total deferred inflows of resources	5,481,462	-	5,481,462	15,068,662
NET POSITION (DEFICIT)				
Net investment in capital assets	44,919,116	980,431	45,899,547	39,567,802
Restricted	7,619,758	-	7,619,758	5,485,306
Unrestricted (deficit)	(67,460,446)	1,817,825	(65,642,621)	(70,104,696)
Total net position (deficit)	\$ (14,921,572)	\$ 2,798,256	\$ (12,123,316)	\$ (25,051,588)

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2023</u>	<u>2022</u>
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 49,430,256	\$ 205,494	\$ 17,273,128	\$ -	\$ (31,951,634)	\$ -	\$ (31,951,634)	\$ (35,741,202)
Instructional student support	6,487,417	-	789,991	-	(5,697,426)	-	(5,697,426)	(4,626,568)
Administrative and financial support services	6,373,961	-	781,539	-	(5,592,422)	-	(5,592,422)	(5,212,238)
Operation and maintenance of plant services	6,676,060	128,360	135,126	-	(6,412,574)	-	(6,412,574)	(5,310,015)
Pupil transportation	3,298,199	-	1,146,616	-	(2,151,583)	-	(2,151,583)	(2,220,140)
Student activities	1,815,201	162,460	224,190	-	(1,428,551)	-	(1,428,551)	(1,193,888)
Community services	23,307	-	-	-	(23,307)	-	(23,307)	(10,387)
Interest, swap termination fees and amortization expense related to noncurrent liabilities	4,238,405	-	898,939	-	(3,339,466)	-	(3,339,466)	(2,822,650)
Total governmental activities	78,342,806	496,314	21,249,529	-	(56,596,963)	-	(56,596,963)	(57,137,088)
BUSINESS-TYPE ACTIVITIES								
Food service	2,426,612	622,877	2,086,230	-	-	282,495	282,495	726,677
Total primary government	\$ 80,769,418	\$ 1,119,191	\$ 23,335,759	\$ -	(56,596,963)	282,495	(56,314,468)	(56,410,411)
GENERAL REVENUES								
Property taxes levied for general purposes					51,137,101	-	51,137,101	49,016,042
Earned income taxes levied for general purposes					5,935,811	-	5,935,811	5,956,887
Other taxes					2,162,742	-	2,162,742	1,889,289
Grants and entitlements not restricted to specific programs					7,134,634	-	7,134,634	6,035,121
Investment earnings					2,853,250	19,202	2,872,452	139,285
TRANSFERS					(258,431)	258,431	-	-
Total general revenues and transfers					68,965,107	277,633	69,242,740	63,036,624
CHANGE IN NET POSITION (DEFICIT)					12,368,144	560,128	12,928,272	6,626,213
NET POSITION (DEFICIT)								
Beginning of year					<u>(27,289,716)</u>	<u>2,238,128</u>	<u>(25,051,588)</u>	<u>(31,677,801)</u>
End of year					<u>\$(14,921,572)</u>	<u>\$ 2,798,256</u>	<u>\$(12,123,316)</u>	<u>\$(25,051,588)</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Funds				Totals	
	General	Capital	Debt	Nonmajor	2023	2022
	Fund	Projects	Service	Governmental		
		Fund	Fund	Funds		
ASSETS						
Cash	\$ 10,362,653	\$ 26,423,728	\$ -	\$ 420,641	\$ 37,207,022	\$ 81,276,465
Investments	9,861,277	28,937,913	-	-	38,799,190	11,155,605
Taxes receivable	2,236,057	-	-	-	2,236,057	1,944,415
Due from other funds	132,932	2,848,984	-	11,430	2,993,346	1,818,199
Due from other governments	5,920,591	-	-	-	5,920,591	3,657,337
Other receivables	652,778	-	-	4,262	657,040	702,555
Escrow deposits	3,497,570	-	-	-	3,497,570	3,316,328
Prepaid items	117,785	277,427	-	-	395,212	844,062
Total assets	\$ 32,781,643	\$ 58,488,052	\$ -	\$ 436,333	\$ 91,706,028	\$ 104,714,966
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,231,758	\$ 6,217,080	\$ -	27,560	\$ 8,476,398	\$ 6,237,793
Due to other funds	4,601,438	387	-	600	4,602,425	2,340,374
Accrued salaries, payroll withholdings and benefits	7,538,805	-	-	-	7,538,805	7,670,359
Grants received in advance	1,307,836	-	-	-	1,307,836	548,064
Unearned revenue	169,321	-	-	-	169,321	161,553
Total liabilities	15,849,158	6,217,467	-	28,160	22,094,785	16,958,143
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property and per capita taxes	246,678	-	-	-	246,678	487,904
FUND BALANCES						
Nonspendable						
Prepaid expenses	117,785	277,427	-	-	395,212	844,062
Restricted for						
Capital projects	-	51,993,158	-	-	51,993,158	69,640,355
Debt service	-	-	-	-	-	-
Athletic facilities improvement	-	-	-	203,698	203,698	224,091
Extra-curricular activities	-	-	-	157,571	157,571	136,715
Student sponsored activities	-	-	-	46,904	46,904	55,159
Committed to						
Retirement rate stabilization	2,240,809	-	-	-	2,240,809	2,240,809
Health savings accounts	370,000	-	-	-	370,000	370,000
Special education costs	500,000	-	-	-	500,000	800,000
Future debt service obligations	1,836,000	-	-	-	1,836,000	1,836,000
Property tax assessment appeals and tax increment financing	2,350,000	-	-	-	2,350,000	460,997
Inflation stabilization	1,900,000	-	-	-	1,900,000	1,166,837
Assigned for						
Property tax assessment appeals	-	-	-	-	-	2,350,000
Unassigned	7,371,213	-	-	-	7,371,213	7,143,894
Total fund balances	16,685,807	52,270,585	-	408,173	69,364,565	87,268,919
Total liabilities, deferred inflows of resources fund balances	\$ 32,781,643	\$ 58,488,052	\$ -	\$ 436,333	\$ 91,706,028	\$ 104,714,966

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

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

June 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 69,364,565
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	139,609,595
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	9,796,748
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	246,678
The Internal Service Fund is used by management to charge the cost of health insurance claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	3,806,063
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(236,046,653)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,698,568)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (14,921,572)</u>

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	Major Funds				Totals	
	General	Capital	Debt	Nonmajor		
	Fund	Projects	Service	Governmental	2023	2022
REVENUES						
Local sources	\$ 61,868,700	\$ 1,673,588	\$ -	\$ 142,483	\$ 63,684,771	\$ 57,899,564
State sources	18,596,818	-	-	-	18,596,818	15,806,363
Federal sources	9,376,535	-	-	-	9,376,535	4,332,479
Total revenues	<u>89,842,053</u>	<u>1,673,588</u>	<u>-</u>	<u>142,483</u>	<u>91,658,124</u>	<u>78,038,406</u>
EXPENDITURES						
Current						
Instruction	50,503,271	2,935,754	-	-	53,439,025	48,914,394
Support services	22,107,713	1,528,137	-	-	23,635,850	21,318,971
Operation of noninstructional services	1,666,160	-	-	150,275	1,816,435	1,666,681
Facilities acquisition, construction and improvement services	4,120,602	19,248,126	-	-	23,368,728	26,913,669
Debt service	986,071	-	7,404,277	-	8,390,348	5,602,957
Total expenditures	<u>79,383,817</u>	<u>23,712,017</u>	<u>7,404,277</u>	<u>150,275</u>	<u>110,650,386</u>	<u>104,416,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,458,236</u>	<u>(22,038,429)</u>	<u>(7,404,277)</u>	<u>(7,792)</u>	<u>(18,992,262)</u>	<u>(26,378,266)</u>
OTHER FINANCING SOURCES (USES)						
Refund of prior year receipts	-	-	-	-	-	(10,735)
Sale of/compensation for capital assets	17,052	-	-	-	17,052	22,462
Issuance of debt	-	-	-	-	-	45,560,000
Bond premiums (discounts)	-	-	-	-	-	(1,139,682)
Proceeds from extended term financing	-	1,329,287	-	-	1,329,287	775,323
Transfers in	-	2,848,984	7,404,277	-	10,253,261	7,252,957
Transfers out	(10,253,261)	(258,431)	-	-	(10,511,692)	(7,659,149)
Total other financing sources (uses)	<u>(10,236,209)</u>	<u>3,919,840</u>	<u>7,404,277</u>	<u>-</u>	<u>1,087,908</u>	<u>44,801,176</u>
NET CHANGE IN FUND BALANCES	222,027	(18,118,589)	-	(7,792)	(17,904,354)	18,422,910
FUND BALANCES						
Beginning of year	16,463,780	70,389,174	-	415,965	87,268,919	68,846,009
End of year	<u>\$ 16,685,807</u>	<u>\$ 52,270,585</u>	<u>\$ -</u>	<u>\$ 408,173</u>	<u>\$ 69,364,565</u>	<u>\$ 87,268,919</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (17,904,354)

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

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

Capital outlay expenditures	\$ 27,407,736	
Depreciation expense	(4,054,104)	
Net book value of disposed of capital assets	<u>(3,994)</u>	23,349,638

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

Deferred inflows of resources June 30, 2022	(487,904)	
Deferred inflows of resources June 30, 2023	<u>246,678</u>	(241,226)

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

1,401,792

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

Repayment of bonds and notes payable	3,036,666	
Proceeds from extended term financing	(1,329,287)	
Repayment of extended term financing	964,424	
Amortization of discounts, premiums and deferred amounts on refunding	<u>414,036</u>	3,085,839

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

Current year change in accrued interest payable	(263,183)	
Current year change in compensated absences	(654,182)	
Current year change in accrued retirement bonus	(318,201)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	3,834,068	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(47,013)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>124,966</u>	<u>2,676,455</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 12,368,144

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,617,455	\$ 2,602,529	\$ 4,219,984	\$ 3,455,560
Due from other governments	28,337	-	28,337	-
Due from other funds	262,985	1,478,039	1,741,024	672,923
Other receivables	33,379	91,287	124,666	53,731
Prepaid expenses	375	2,100	2,475	33,778
Inventories	69,167	-	69,167	70,625
Total current assets	<u>2,011,698</u>	<u>4,173,955</u>	<u>6,185,653</u>	<u>4,286,617</u>
NONCURRENT ASSETS				
Capital assets, net	980,431	-	980,431	831,122
Total assets	<u>2,992,129</u>	<u>4,173,955</u>	<u>7,166,084</u>	<u>5,117,739</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	1,070	367,892	368,962	236,308
Due to other funds	131,945	-	131,945	150,748
Accrued salaries, payroll withholdings and benefits	1,238	-	1,238	19,182
Unearned revenue	59,620	-	59,620	69,102
Total liabilities	<u>193,873</u>	<u>367,892</u>	<u>561,765</u>	<u>475,340</u>
NET POSITION				
Net investment in capital assets	980,431	-	980,431	831,122
Unrestricted	1,817,825	3,806,063	5,623,888	3,811,277
Total net position	<u>\$ 2,798,256</u>	<u>\$ 3,806,063</u>	<u>\$ 6,604,319</u>	<u>\$ 4,642,399</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
OPERATING REVENUES				
Charges for services	\$ 622,877	\$ 7,453,448	\$ 8,076,325	\$ 6,808,866
OPERATING EXPENSES				
Salaries	132,944	-	132,944	120,829
Employee benefits	73,812	5,359,449	5,433,261	5,629,198
Purchased services - food service management	864,551	-	864,551	817,237
Purchased professional and technical services	5,812	789,571	795,383	721,660
Purchased property services	11,346	-	11,346	13,692
Other purchased services	4,468	-	4,468	3,727
Supplies	1,229,006	-	1,229,006	1,247,779
Depreciation	109,122	-	109,122	55,024
Other	885	-	885	1,267
Total operating expenses	<u>2,431,946</u>	<u>6,149,020</u>	<u>8,580,966</u>	<u>8,610,413</u>
Operating loss	<u>(1,809,069)</u>	<u>1,304,428</u>	<u>(504,641)</u>	<u>(1,801,547)</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	19,202	97,364	116,566	3,191
State sources	225,205	-	225,205	101,845
Federal sources	1,861,025	-	1,861,025	2,802,329
Gain on sale of capital assets	5,334	-	5,334	-
Total nonoperating revenues (expenses)	<u>2,110,766</u>	<u>97,364</u>	<u>2,208,130</u>	<u>2,907,365</u>
Change in net position before transfers	301,697	1,401,792	1,703,489	1,105,818
Transfers in	<u>258,431</u>	<u>-</u>	<u>258,431</u>	<u>406,192</u>
CHANGE IN NET POSITION	560,128	1,401,792	1,961,920	1,512,010
NET POSITION				
Beginning of year	<u>2,238,128</u>	<u>2,404,271</u>	<u>4,642,399</u>	<u>3,130,389</u>
End of year	<u>\$ 2,798,256</u>	<u>\$ 3,806,063</u>	<u>\$ 6,604,319</u>	<u>\$ 4,642,399</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Major Fund	Internal	Totals	
	Food Service Fund	Service Fund	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 584,774	\$ -	\$ 584,774	\$ 150,134
Cash received from assessments made to other funds	-	6,606,019	6,606,019	6,236,469
Cash payments to employees for services	(224,700)	-	(224,700)	(182,633)
Cash payments for insurance claims	-	(5,195,576)	(5,195,576)	(5,697,815)
Cash payments to suppliers for goods and services	(2,202,757)	-	(2,202,757)	(2,490,172)
Cash payments for other operating expenses	-	(789,571)	(789,571)	-
Net cash provided by (used for) operating activities	(1,842,683)	620,872	(1,221,811)	(1,984,017)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	196,868	-	196,868	104,159
Federal sources	1,667,467	-	1,667,467	2,651,375
Net cash provided by noncapital financing activities	1,864,335	-	1,864,335	2,755,534
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	(2,835)
Proceeds from sale of capital assets	5,334	-	5,334	-
Net cash provided by (used for) capital and related financing activities	5,334	-	5,334	(2,835)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	19,202	97,364	116,566	3,191
Net increase in cash	46,188	718,236	764,424	771,873
CASH				
Beginning of year	1,571,267	1,884,293	3,455,560	2,683,687
End of year	\$ 1,617,455	\$ 2,602,529	\$ 4,219,984	\$ 3,455,560
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (1,809,069)	\$ 1,304,428	\$ (504,641)	\$ (1,801,547)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	109,122	-	109,122	55,024
Donated commodities used	193,558	-	193,558	174,560
(Increase) decrease in				
Due from other funds	(262,985)	(805,117)	(1,068,102)	(405,673)
Other receivables	(28,622)	(42,312)	(70,934)	7,856
Prepaid expenses	(375)	31,678	31,303	23,424
Inventories	1,458	-	1,458	(32,758)
Increase (decrease) in				
Accounts payable	459	132,195	132,654	(154,835)
Due to other funds	(18,803)	-	(18,803)	150,283
Accrued salaries, payroll withholdings and benefits	(17,944)	-	(17,944)	988
Unearned revenue	(9,482)	-	(9,482)	(1,339)
Net cash provided by (used for) operating activities	\$ (1,842,683)	\$ 620,872	\$ (1,221,811)	\$ (1,984,017)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 193,558	\$ -	\$ 193,558	\$ 174,560
Noncash capital and related financing activity				
Capital contribution	\$ 258,431	\$ -	\$ 258,431	\$ 406,192

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial	Totals	
			2023	2022
ASSETS				
Cash	\$ 191,751	\$ 114,446	\$ 306,197	\$ 300,222
Other receivables	-	24,532	24,532	19,679
Total assets	<u>191,751</u>	<u>138,978</u>	<u>330,729</u>	<u>319,901</u>
LIABILITIES				
Accounts payable	<u>301</u>	<u>-</u>	<u>301</u>	<u>250</u>
NET POSITION				
Restricted for student activities	-	138,978	138,978	132,973
Net assets held in trust for scholarships	<u>191,450</u>	<u>-</u>	<u>191,450</u>	<u>186,678</u>
	<u>\$ 191,450</u>	<u>\$ 138,978</u>	<u>\$ 330,428</u>	<u>\$ 319,651</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial	Totals	
			2023	2022
ADDITIONS				
Receipts from student groups	\$ -	\$ 91,817	\$ 91,817	\$ 140,577
Local contributions	19,197	-	19,197	14,344
Total additions	<u>19,197</u>	<u>91,817</u>	<u>111,014</u>	<u>154,921</u>
DEDUCTIONS				
Scholarships awarded and fees paid	14,425	-	14,425	19,793
Student activities disbursements	-	85,812	85,812	129,048
Total deductions	<u>14,425</u>	<u>85,812</u>	<u>100,237</u>	<u>148,841</u>
CHANGE IN NET POSITION	4,772	6,005	10,777	6,080
NET POSITION				
Beginning of year	<u>186,678</u>	<u>132,973</u>	<u>319,651</u>	<u>313,571</u>
End of year	<u>\$ 191,450</u>	<u>\$ 138,978</u>	<u>\$ 330,428</u>	<u>\$ 319,651</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Conestoga Valley School District (the "**District**") operates four elementary schools, one middle school and a high school and a virtual academy to provide education and related services to the residents in the Townships of East Lampeter, Upper Leacock and West Earl. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

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

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term principal, interest and other related costs.

In addition, the District reports the following nonmajor governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These funds include the District's Athletic Facilities Improvement Fund, Extra-Curricular Fund and Student Sponsored Activity Fund.

Revenue Recognition

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Expenditure Recognition

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

Cash and Cash Equivalents

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

Investments

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

Fair Value Measurements of Assets and Liabilities

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

Interfund Receivables and Payables

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

Property Taxes

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

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

The County Board of Assessments determines assessed valuations of property and the Lancaster County Tax Collection Bureau bills and collects the District's property taxes. The tax on real estate for public school purposes for fiscal 2022-2023 was 14.9660 mills (\$14.966 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

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

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

Unearned Revenues

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

Prepaid Items and Inventories

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Capital Assets

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

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

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

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: site improvements – 15 years; buildings and improvements – 20-50 years; furniture and equipment – 3-10 years.

Impairment of Long-Lived Assets

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

Compensated Absences

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

Accrued Retirement Bonus

Upon voluntary retirement, employees with qualifying years of service according to their respective employment contract are eligible to receive a lump sum retirement bonus.

Long-Term Obligations

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

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Fund Equity

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

Non-spendable

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

Restricted

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

Committed

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

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned amounts are reviewed and approved by the Board.

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

Unassigned

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

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

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Use of Estimates

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

Implementation of New Accounting Pronouncements

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

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

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

New Accounting Pronouncements

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances 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.

GASB Statement No. 101, "*Compensated Absences*" will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

(3) DEPOSITS AND INVESTMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2023, the carrying amount of the District's deposits was \$41,733,203 and the bank balance was \$41,988,750. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$396,270 was covered by federal depository insurance and \$5,193,515 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit. As of June 30, 2023, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

Escrow Deposits

The District has entered into development agreements with East Lampeter Township and Upper Leacock Township (the "**Townships**") to provide financial security to the Townships to guaranty that required improvements be made related to the property development associated with the new Gerald G. Huesken middle school. The development agreements required deposits totaling \$7,058,129, which will be released to the District as the improvements are completed. The escrow deposits are in an account with a financial institution in the name of the Townships and totaled \$3,497,570 as of June 30, 2023.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Investments

At June 30, 2023, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit PSDLAF collateralized	\$ 1,672,000	\$ 1,672,000	\$ -	\$ -	\$ -
investment pools	8,189,277	8,189,277	-	-	-
U.S. Treasury and agency securities	<u>28,937,913</u>	<u>15,541,062</u>	<u>13,396,881</u>	<u>-</u>	<u>-</u>
	<u>\$38,799,190</u>	<u>\$25,402,309</u>	<u>\$13,396,881</u>	<u>\$ -</u>	<u>\$ -</u>

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2023.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment in U.S. Treasury and agency securities are subject to interest rate risk.

Credit Risk

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

(4) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,306,905	\$ -	\$ -	\$ 2,306,905
Collections	635,000	-	-	635,000
Construction in progress	<u>50,437,872</u>	<u>22,922,986</u>	<u>-</u>	<u>73,360,858</u>
Total capital assets not being depreciated	<u>53,379,777</u>	<u>22,922,986</u>	<u>-</u>	<u>76,302,763</u>
Capital assets being depreciated				
Site improvements	3,229,495	-	-	3,229,495
Buildings and improvements	112,639,779	-	-	112,639,779
Right-to-use lease assets	1,817,438	877,820	-	2,695,258
Right-to-use subscription assets	130,751	522,157	-	652,908
Furniture and equipment	<u>9,998,299</u>	<u>3,084,773</u>	<u>137,022</u>	<u>12,946,050</u>
Total capital assets being depreciated	<u>127,815,762</u>	<u>4,484,750</u>	<u>137,022</u>	<u>132,163,490</u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Less accumulated depreciation for				
Site improvements	(2,066,415)	(117,045)	-	(2,183,460)
Buildings and improvements	(55,338,979)	(2,389,418)	-	(57,728,394)
Right-to-use lease assets	(863,266)	(679,585)	-	(1,542,851)
Right-to-use subscription assets	-	(144,545)	-	(144,545)
Furniture and equipment	(6,666,922)	(723,514)	(133,028)	(7,257,408)
Total accumulated depreciation	<u>(64,935,582)</u>	<u>(4,054,104)</u>	<u>3,994</u>	<u>(68,856,658)</u>
Total capital assets being depreciated, net	<u>62,880,180</u>	<u>430,646</u>	<u>3,994</u>	<u>63,306,832</u>
Governmental activities, net	<u>\$ 116,259,957</u>	<u>\$ 23,353,632</u>	<u>\$ 3,994</u>	<u>\$ 139,609,595</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 421,449	\$ 258,431	\$ 605,631	\$ 74,249
Capital assets being depreciated				
Machinery and equipment	1,382,301	605,631	-	1,987,932
Less accumulated depreciation	(972,628)	(109,122)	-	(1,081,750)
Total business-type capital assets being depreciated, net	<u>409,673</u>	<u>496,509</u>	<u>-</u>	<u>906,182</u>
Business-type activities, net	<u>\$ 831,122</u>	<u>\$ 754,940</u>	<u>\$ 605,631</u>	<u>\$ 980,431</u>

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

Governmental activities	
Instruction	\$2,735,993
Instructional student support	60,420
Administrative and financial support services	261,806
Operation and maintenance of plant services	864,010
Pupil transportation	5,450
Student activities	<u>126,425</u>
Total depreciation expense – governmental activities	<u>\$4,054,104</u>
Business-type activities	
Food service	<u>\$ 109,122</u>

As of June 30, 2023, the District had the following outstanding amounts remaining related to construction projects to be completed:

- Smoketown Elementary School - \$7,376,349
- Gerald G. Huesken Middle School – \$4,423,594

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

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

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Internal Service Fund	\$1,478,039	General Fund	\$1,478,039
General Fund	387	Capital Projects Fund	387
General Fund	131,945	Food Service Fund	131,945
Food Service Fund	262,985	General Fund	262,985
Capital Projects Fund	2,848,984	General Fund	2,848,984
General Fund	600	Nonmajor Governmental Funds	600
Nonmajor Governmental Funds	<u>11,430</u>	General Fund	<u>11,430</u>
	<u>\$4,734,370</u>		<u>\$4,734,370</u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$ 2,848,984	General Fund	\$ 2,848,984
Food Service Fund	258,431	Capital Projects Fund	258,431
Debt Service Fund	<u>7,404,277</u>	General Fund	<u>7,404,277</u>
	<u>\$10,511,692</u>		<u>\$10,511,692</u>

Transfers from the General Fund represent transfers to subsidize costs associated with the acquisition of capital assets, debt service requirements and food service operations.

(6) CHANGE IN NONCURRENT LIABILITIES

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$129,900,000	\$ -	\$2,965,000	\$126,935,000	\$3,105,000
Notes payable	4,585,009	-	71,666	4,513,343	38,343
Bond premiums (discounts)	<u>6,889,294</u>	-	<u>414,036</u>	<u>6,475,258</u>	<u>414,036</u>
Total general obligation debt	<u>141,374,303</u>	-	<u>3,450,702</u>	<u>137,923,601</u>	<u>3,557,379</u>
Other noncurrent liabilities					
Leases payable	922,091	877,820	686,670	1,113,241	478,964
Subscriptions payable	130,751	451,467	277,754	304,464	183,467
Compensated absences	450,462	654,182	-	1,104,644	-
Accrued retirement bonuses	463,713	318,201	-	781,914	-
OPEB liability	3,392,213	-	285,356	3,106,857	-
Net OPEB liability - PSERS	4,744,906	-	1,105,702	3,639,204	-
Net pension liability – PSERS	<u>82,400,857</u>	<u>5,671,871</u>	-	<u>88,072,728</u>	-
Total other noncurrent liabilities	<u>92,504,993</u>	<u>7,973,541</u>	<u>2,355,482</u>	<u>98,123,052</u>	<u>662,431</u>
Total noncurrent liabilities	<u>\$233,879,296</u>	<u>\$7,973,541</u>	<u>\$5,806,184</u>	<u>\$236,046,653</u>	<u>\$4,219,810</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund.

(7) GENERAL OBLIGATION DEBT

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

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

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<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2018	2.00% - 4.00%	\$ 9,695,000	02/01/2024	\$ 2,895,000
Series of 2019	1.20% - 4.00%	\$38,745,000	02/01/2044	38,725,000
Series A of 2021	1.00% - 4.00%	\$34,265,000	02/01/2044	34,255,000
Series B of 2021	1.00% - 4.00%	\$ 5,830,000	02/01/2044	5,505,000
Series of 2022	2.88% - 4.00%	\$45,560,000	02/01/2051	<u>45,555,000</u>
Total general obligation bonds				<u>126,935,000</u>
General obligation notes				
Series of 2008	3.77% - 6.00%	\$ 1,000,000	08/21/2023	33,343
Series A of 2019	2.00%	\$ 2,365,000	01/15/2025	2,365,000
Series B of 2019	1.15% - 4.00%	\$ 2,135,000	04/01/2026	<u>2,115,000</u>
Total general obligation notes				<u>4,513,343</u>
Total general obligation debt				<u>\$131,448,343</u>

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2024	\$ 3,143,343	\$ 4,841,202	\$ 7,984,545
2025	3,665,000	4,729,147	8,394,147
2026	2,980,000	4,636,180	7,616,180
2027	3,060,000	4,558,606	7,618,606
2028	3,170,000	4,448,113	7,618,113
2029-2033	17,800,000	20,282,640	38,082,640
2034-2038	21,300,000	16,777,676	38,077,676
2039-2051	<u>76,330,000</u>	<u>22,322,396</u>	<u>98,652,396</u>
	<u>\$131,448,343</u>	<u>\$82,595,960</u>	<u>\$214,044,303</u>

(8) LEASES PAYABLE

The District has entered into a 36-month lease as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$212,421. As of June 30, 2023, the value of the lease liability is \$6,364. The District is required to make monthly fixed payments of \$6,250. The lease has an imputed interest rate of 5.28% and an estimated useful life of 3 years as of the contract commencement. The value of the right-to-use assets as of June 30, 2023 was \$16,031 with accumulated amortization of \$196,390 and included with noncurrent assets on the statement of net position (deficit).

Annually, the District enters into 48-month leases for personal technology devices for students. The total initial lease liabilities of all leases still outstanding as of June 30, 2023 was \$2,423,200. As of June 30, 2023, the value of the lease liabilities is \$1,106,877. The leases have annual payments ranging from \$73,764 to \$230,353. The leases have interest rates ranging from 1.88% to 3.64% and an estimated useful life of 4 years as of the contract commencement. The value of the right-to-use assets as of June 30, 2023 was \$1,136,376 with accumulated amortization of \$1,346,461 and included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

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<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 478,964	\$30,824	\$ 509,788
2024	411,347	18,285	429,632
2026	<u>222,930</u>	<u>7,423</u>	<u>230,353</u>
	<u>\$1,113,241</u>	<u>\$56,532</u>	<u>\$1,169,773</u>

(9) SUBSCRIPTIONS PAYABLE

The District has entered into long-term lease agreements for subscription-based information technology arrangements. Initial subscription liabilities were recorded in the amount of \$582,218. As of June 30, 2023 the value of the subscription liabilities is \$304,464. The District is required to make annual fixed payments ranging from \$5,933 to \$124,916. The subscriptions payable have interest rates ranging from 2.024%-3.238% and a useful life of 3 years at contract commencement. The value of the right-to-use asset as of June 30, 2023 of \$508,363, net of accumulated amortization of \$144,545, and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$183,467	\$ 9,055	\$192,522
2025	<u>120,997</u>	<u>3,918</u>	<u>124,915</u>
	<u>\$304,464</u>	<u>\$12,973</u>	<u>\$317,437</u>

(10) PENSION PLAN

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

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year 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.

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

Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions

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

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

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

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$10,163,467 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$88,072,728 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1981 percent, which was a decrease of 0.0026 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized pension expense of \$6,409,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 40,000	\$ 762,000
Changes in assumptions	2,630,000	-
Net difference between expected and actual investment earnings	-	1,494,000
Changes in proportions	853,000	899,000
Contributions subsequent to the measurement date	<u>10,163,467</u>	<u>-</u>
	<u>\$13,686,467</u>	<u>\$3,155,000</u>

\$10,163,467 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2024	\$ 549,000
2025	327,000
2026	(2,594,000)
2027	<u>2,086,000</u>
	<u>\$ 368,000</u>

CONESTOGA VALLEY SCHOOL DISTRICT

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Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

The long-term expected rate of return on 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.00 %	5.30%
Private equity	12.00 %	8.00%
Fixed income	33.00 %	2.30%
Commodities	9.00 %	2.30%
Infrastructure/MLPs	9.00 %	5.40%
Real estate	11.00 %	4.60%
Absolute return	6.00 %	3.50%
Cash	3.00 %	0.50%
Leverage	<u>(11.00)%</u>	0.50%
	<u>100.00 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

CONESTOGA VALLEY SCHOOL DISTRICT

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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 the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
District's proportionate share of the net pension liability	<u>\$113,916,050</u>	<u>\$88,072,728</u>	<u>\$66,283,680</u>

Pension Plan Fiduciary Net Position

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

(11) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2022:

Active employees	342
Retirees and beneficiaries currently receiving benefits	24
Terminated OPEB plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>366</u>

Funding Policy

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

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$3,106,857, all of which is unfunded. As of June 30, 2023, the OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

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The District's change in its OPEB liability for the year ended June 30, 2023 was as follows:

Balances as of July 1, 2022	<u>\$3,392,213</u>
Changes for the year:	
Service cost	223,277
Interest on total OPEB liability	80,967
Differences between expected and actual experience	330,626
Changes in assumptions	(801,511)
Benefit payments	<u>(118,715)</u>
Net changes	<u>(285,356)</u>
Balances as of June 30, 2023	<u>\$3,106,857</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$219,367. At June 30, 2023, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$303,074	\$ 415,604
Changes in assumptions	344,132	984,858
Contributions subsequent to the measurement date	<u>172,354</u>	<u>-</u>
	<u>\$819,560</u>	<u>\$1,400,462</u>

\$172,354 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2024	\$ (84,877)
2025	(84,877)
2026	(84,877)
2027	(84,877)
2028	(84,877)
Thereafter	<u>(328,871)</u>
	<u>\$(753,256)</u>

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

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$2,808,988</u>	<u>\$3,106,857</u>	<u>\$3,452,671</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

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June 30, 2023

	<u>1% Decrease</u> <u>3.06%</u>	<u>Current Discount</u> <u>Rate</u> <u>4.06%</u>	<u>1% Increase</u> <u>5.06%</u>
OPEB Liability	<u>\$3,325,407</u>	<u>\$3,106,857</u>	<u>\$2,899,770</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB Liability as of July 1, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.06% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 2.28% to 4.06%.
- Salary growth – salary increases are composed of 2.50% cost-of-living adjustment, 1.50% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.50% in 2022, 6.00% in 2023, 5.50% in 2024 and 2025, gradually decreasing to 3.90% in 2075.
- Mortality rates were based on a PubT-2010 headcount-weighted mortality table for contingent survivors for teachers and PubG-2010 headcount-weighted mortality table for contingent survivors for all other employees.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

Plan Description

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of- pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

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

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

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

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

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$248,183 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$3,639,204 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1977 percent, which was a decrease of 0.0025 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized OPEB expense of \$118,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 34,000	\$ 19,000
Changes in assumptions	404,000	859,000
Net difference between expected and actual investment earnings	10,000	-
Changes in proportions	76,000	48,000
Contributions subsequent to the measurement date	<u>248,183</u>	<u>-</u>
	<u>\$772,183</u>	<u>\$926,000</u>

\$248,183 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2024	\$ (80,000)
2025	(49,000)
2026	(75,000)
2027	(90,000)
2028	<u>(108,000)</u>
	<u>\$ (402,000)</u>

CONESTOGA VALLEY SCHOOL DISTRICT

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June 30, 2023

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 4.09% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Participation rate:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Discount Rate

The discount rate used to measure the OPEB liability was 4.09%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2022, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$3,638,835</u>	<u>\$3,639,204</u>	<u>\$3,639,501</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.09%</u>	<u>4.09%</u>	<u>5.09%</u>
District's proportionate share of the net OPEB liability	<u>\$4,115,503</u>	<u>\$3,639,204</u>	<u>\$3,240,643</u>

OPEB Plan Fiduciary Net Position

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(12) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Joint Ventures

Lancaster County Career and Technology Center

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center ("**LCCTC**"). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2022-2023 was \$1,169,602.

Lancaster County Career and Technology Center Authority

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2022-2023 was \$111,230.

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

Year ending June 30,

2024	\$ 110,765
2025	111,054
2026	111,634
2027	110,875
2028	110,210
2029-2033	546,408
2034-2037	<u>435,328</u>
	<u>\$1,536,274</u>

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Jointly Governed Organizations

Lancaster-Lebanon Intermediate Unit

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the "**LLIU**"). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2022-2023, the District contracted with the LLIU for special education services which totaled \$1,847,424.

Lancaster-Lebanon Joint Authority

The District and the other Lancaster and Lebanon County school districts are also participating members of the Lancaster-Lebanon Joint Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2022-2023, the District did not have any financial transactions with the Authority.

Lancaster County Tax Collection Bureau

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the "**Bureau**"). Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The District contracts with the Bureau for the collection of property and earned incomes taxes. During 2022-2023, the District contracted with the Bureau for tax collection services which totaled \$137,181.

Lancaster County Academy

The Lancaster County Academy (the "**Academy**") is an alternative public school organized by the District and 7 other Lancaster County school districts to provide services in the County. Each of the participating school districts appoints one member to serve on the joint operating committee. The District is considered to have an ongoing financial responsibility to fund the operations of the Academy. During 2022-2023, the District's portion of operating expenditures for the Academy totaled \$57,695.

(13) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Litigation

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

(14) RISK MANAGEMENT

Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third party who approves and process all claims. The District was limited in liability to \$450,000 per individual and \$7,468,479 in total for self-insurance medical claims for the year ended June 30, 2023.

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2023 which has been historically satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance claims liability – beginning of year	\$ 235,697	\$ 390,530
Current year insurance claims and changes in estimates	6,149,020	6,279,004
Insurance claims paid	<u>(6,016,825)</u>	<u>(6,433,837)</u>
Insurance claims liability – end of year	<u>\$ 367,892</u>	<u>\$ 235,697</u>

Property and Liability

The District and 15 participating member school districts, the LLIU, the Lancaster County Academy, and the LCCTC participate in the Lancaster-Lebanon Public Schools Insurance Pool (the "**Pool**"), which is a public entity risk pool currently operating as a common risk management and insurance program. The District and the other participating members pay an annual premium to the Pool for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the pools insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Pool, that the Pool will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the Pool against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance for claims greater than \$100,000 per occurrence. As of June 30, 2023, the District is not aware of any additional assessments relating to the Pool.

Workers' Compensation

The District and 16 participating member school districts the LLIU, and the Lancaster County Academy participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the "**Fund**"), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2023, the District is not aware of any additional assessments relating to this Fund.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Unemployment

The District administers a self-insurance program for unemployment compensation rather than contribute to the state fund. Transactions for this program are reflected in the General Fund.

Other Risks

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

(15) TAX INCREMENT FINANCING DISTRICT

The District, East Lampeter Township and Lancaster County (the "**taxing bodies**") have entered into a tax increment financing agreement ("**TIF agreement**") with the East Lampeter Industrial and Commercial Authority (the "**Authority**"). In conjunction with the TIF agreement, the Authority has created a tax increment financing district ("**TIF District**") in the Township of East Lampeter and prepared a project plan ("**TIF project**") which includes, among other things, transportation and related infrastructure improvements for the benefit of the TIF District. Under the TIF agreement, the District will allocate to the Authority 65% of real estate taxes resulting from an increase in the total market value of taxable real property in the TIF District as a result of changes in the assessed valuation in excess of the real estate tax assessment as determined by the Lancaster County Property Assessment Office as of June, 2017, The Authority will expend the real estate tax revenues generated by the TIF District for reasonable and necessary costs of the TIF project. The TIF District will terminate after a period of 20 years and any remaining balance after payment of all costs of the TIF project will be returned to the taxing bodies. During 2022-2023, the District paid the Authority \$140,000 under the TIF agreement.

(16) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 96 "*Subscription-Based Information Technology Arrangements*", the District made a prior period adjustment to record net position for its right-to-use subscription assets and associated subscription payables.

These prior period adjustments and their effect on net position at July 1, 2022 was an increase in net capital assets and lease liabilities of \$130,751.

(17) SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

CONESTOGA VALLEY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 59,295,102	\$ 59,295,102	\$ 61,868,700	\$ 2,573,598
State sources	17,294,205	17,294,205	18,596,818	1,302,613
Federal sources	11,624,081	11,624,081	9,376,535	(2,247,546)
Total revenues	<u>88,213,388</u>	<u>88,213,388</u>	<u>89,842,053</u>	<u>1,628,665</u>
EXPENDITURES				
Instruction				
Regular programs	36,787,359	35,961,476	35,710,870	250,606
Special programs	12,868,858	12,600,252	12,479,755	120,497
Vocational programs	1,407,900	1,457,400	1,456,377	1,023
Other instructional programs	264,734	287,334	262,872	24,462
Nonpublic school programs	87,171	99,171	98,771	400
Pre-kindergarten	437,500	495,500	494,626	874
Total instruction	<u>51,853,522</u>	<u>50,901,133</u>	<u>50,503,271</u>	<u>397,862</u>
Support services				
Pupil support services	3,089,840	3,040,140	2,949,698	90,442
Instructional staff services	3,138,571	3,170,222	3,136,716	33,506
Administrative services	3,752,667	3,754,499	3,724,129	30,370
Pupil health	742,029	785,430	775,149	10,281
Business services	716,615	692,160	684,290	7,870
Operation and maintenance of plant services	5,002,714	5,287,302	5,253,555	33,747
Student transportation services	3,281,291	3,689,258	3,669,253	20,005
Support services - central	1,545,961	1,690,435	1,871,272	(180,837)
Other support services	45,000	45,000	43,651	1,349
Total support services	<u>21,314,688</u>	<u>22,154,446</u>	<u>22,107,713</u>	<u>46,733</u>
Operation of noninstructional services				
Student activities	1,471,391	1,639,151	1,642,853	(3,702)
Community services	31,461	26,461	23,307	3,154
Total operation of noninstructional services	<u>1,502,852</u>	<u>1,665,612</u>	<u>1,666,160</u>	<u>(548)</u>
Facilities acquisition, construction and improvement services				
	-	4,122,000	4,120,602	1,398
Debt service				
	-	986,071	986,071	-
Total expenditures	<u>74,671,062</u>	<u>79,829,262</u>	<u>79,383,817</u>	<u>445,445</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>13,542,326</u>	<u>8,384,126</u>	<u>10,458,236</u>	<u>2,074,110</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	(50,000)	-	-	-
Sale of/compensation for capital assets	25,000	25,000	17,052	(7,948)
Transfers in	800,500	800,500	-	(800,500)
Transfers out	(7,578,348)	(10,245,855)	(10,253,261)	(7,406)
Budgetary reserve	(7,775,707)	-	-	-
Total other financing sources (uses)	<u>(14,578,555)</u>	<u>(9,420,355)</u>	<u>(10,236,209)</u>	<u>(815,854)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,036,229)</u>	<u>\$ (1,036,229)</u>	<u>222,027</u>	<u>\$ 1,258,256</u>
FUND BALANCE				
Beginning of year			16,463,780	
End of year			<u>\$ 16,685,807</u>	

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
District's proportion of the net pension liability	0.1981%	0.2007%	0.1981%	0.1962%	0.1966%	0.1932%	0.1934%	0.2134%	0.2137%	
District's proportionate share of the net pension liability	\$ 88,072,728	\$ 82,400,857	\$ 97,542,491	\$ 91,787,477	\$ 94,377,761	\$ 95,418,398	\$ 95,843,000	\$ 92,434,000	\$ 84,583,000	
District's covered-employee payroll	\$ 29,064,724	\$ 28,386,927	\$ 27,767,388	\$ 27,053,732	\$ 26,478,676	\$ 25,722,617	\$ 25,045,713	\$ 27,455,288	\$ 25,751,265	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	303.02%	290.28%	351.28%	339.28%	356.43%	370.95%	382.67%	336.67%	328.46%	
Plan fiduciary net position as a percentage of the total net pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.00%	54.00%	57.24%	

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

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 9,874,728	\$ 9,537,893	\$ 9,495,235	\$ 8,786,299	\$ 8,342,383	\$ 7,389,722	\$ 6,153,000	\$ 5,510,000	\$ 4,257,000
Contributions in relation to the contractually required contribution	<u>\$ 9,874,728</u>	<u>\$ 9,537,893</u>	<u>\$ 9,495,235</u>	<u>\$ 8,786,299</u>	<u>\$ 8,342,383</u>	<u>\$ 7,389,722</u>	<u>\$ 6,153,000</u>	<u>\$ 5,510,000</u>	<u>\$ 4,257,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 29,064,724	\$ 28,386,927	\$ 27,767,388	\$ 27,053,732	\$ 26,478,676	\$ 25,722,617	\$ 25,045,713	\$ 27,455,288	\$ 25,751,265
Contributions as a percentage of covered-employee payroll	33.97%	33.60%	34.20%	32.48%	31.51%	28.73%	24.57%	20.07%	16.53%

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

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 223,277	\$ 227,814	\$ 190,331	\$ 193,027	\$ 234,978	\$ 224,316
Interest on total OPEB liability	80,967	64,627	103,581	88,514	111,769	80,125
Changes of benefit terms	-	-	-	-	(91,206)	-
Differences between projected and actual experience	330,626	-	(164,671)	-	(500,747)	-
Changes of assumptions	(801,511)	(93,190)	330,905	(79,087)	(205,304)	178,194
Benefit payments	<u>(118,715)</u>	<u>(117,420)</u>	<u>(92,104)</u>	<u>(81,474)</u>	<u>(139,758)</u>	<u>(140,886)</u>
Net change in total OPEB liability	(285,356)	81,831	368,042	120,980	(590,268)	341,749
Total OPEB liability, beginning	<u>3,392,213</u>	<u>3,310,382</u>	<u>2,942,340</u>	<u>2,821,360</u>	<u>3,411,628</u>	<u>3,069,879</u>
Total OPEB liability, ending	<u>\$ 3,106,857</u>	<u>\$ 3,392,213</u>	<u>\$ 3,310,382</u>	<u>\$ 2,942,340</u>	<u>\$ 2,821,360</u>	<u>\$ 3,411,628</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 25,565,188	\$ 26,248,252	\$ 26,248,252	\$ 24,934,528	\$ 24,934,528	\$ 24,178,245
Net OPEB liability as a % of covered payroll	12.15%	12.92%	12.61%	11.80%	11.32%	14.11%

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

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.1977%	0.2002%	0.1978%	0.1962%	0.1966%	0.1932%
District's proportionate share of the net OPEB liability	\$ 3,639,204	\$ 4,744,906	\$ 4,273,859	\$ 4,172,864	\$ 4,099,010	\$ 3,936,280
District's covered-employee payroll	\$ 29,064,724	\$ 28,386,927	\$ 27,767,388	\$ 27,053,732	\$ 26,478,676	\$ 25,722,617
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total net OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

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

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 230,860	\$ 232,963	\$ 232,856	\$ 224,788	\$ 219,649	\$ 168,206
Contributions in relation to the contractually required contribution	<u>\$ 230,860</u>	<u>\$ 232,963</u>	<u>\$ 232,856</u>	<u>\$ 224,788</u>	<u>\$ 219,649</u>	<u>\$ 168,206</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 29,064,724	\$ 28,386,927	\$ 27,767,388	\$ 27,053,732	\$ 26,478,676	\$ 25,722,617
Contributions as a percentage of covered-employee payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

CONESTOGA VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2023

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 5,208,987	\$ 21,214,741	\$ 26,423,728
Investments	-	28,937,913	28,937,913
Due from other funds	2,848,984	-	2,848,984
Other receivables	-	-	-
Prepaid items	-	<u>277,427</u>	<u>277,427</u>
Total assets	<u>\$ 8,057,971</u>	<u>\$ 50,430,081</u>	<u>\$ 58,488,052</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 438,213	\$ 5,778,867	\$ 6,217,080
Due to other funds	-	<u>387</u>	<u>387</u>
Total liabilities	<u>438,213</u>	<u>5,779,254</u>	<u>6,217,467</u>
FUND BALANCES			
Nonspendable			
Prepaid items	-	277,427	277,427
Restricted for			
Capital projects	<u>7,619,758</u>	<u>44,373,400</u>	<u>51,993,158</u>
Total fund balances	<u>7,619,758</u>	<u>44,650,827</u>	<u>52,270,585</u>
Total liabilities and fund balances	<u>\$ 8,057,971</u>	<u>\$ 50,430,081</u>	<u>\$ 58,488,052</u>

CONESTOGA VALLEY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND

Year ended June 30, 2023

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local sources	\$ 135,221	\$ 1,538,367	\$ 1,673,588
EXPENDITURES			
Current			
Instruction	-	2,935,754	2,935,754
Support services	438,213	1,089,924	1,528,137
Facilities acquisition, construction and improvement services	411,540	18,836,586	19,248,126
Total expenditures	<u>849,753</u>	<u>22,862,264</u>	<u>23,712,017</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(714,532)</u>	<u>(21,323,897)</u>	<u>(22,038,429)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from extended term financing	-	1,329,287	1,329,287
Transfers in	2,848,984	-	2,848,984
Transfers out	-	(258,431)	(258,431)
Total other financing sources (uses)	<u>2,848,984</u>	<u>1,070,856</u>	<u>3,919,840</u>
NET CHANGE IN FUND BALANCES	2,134,452	(20,253,041)	(18,118,589)
FUND BALANCES			
Beginning of year	<u>5,485,306</u>	<u>64,903,868</u>	<u>70,389,174</u>
End of year	<u>\$ 7,619,758</u>	<u>\$ 44,650,827</u>	<u>\$ 52,270,585</u>

CONESTOGA VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	<u>Athletic Facilities Improvement</u>	<u>Extra- Curricular Fund</u>	<u>Student Sponsored Activity Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ 195,896	\$ 153,309	\$ 71,436	\$ 420,641
Accounts receivable	-	4,262	-	4,262
Due from other funds	<u>11,430</u>	<u>-</u>	<u>-</u>	<u>11,430</u>
Total assets	<u>\$ 207,326</u>	<u>\$ 157,571</u>	<u>\$ 71,436</u>	<u>\$ 436,333</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,028	\$ -	\$ 24,532	\$ 27,560
Due to other funds	<u>600</u>	<u>-</u>	<u>-</u>	<u>600</u>
Total liabilities	<u>3,628</u>	<u>-</u>	<u>24,532</u>	<u>28,160</u>
FUND BALANCES				
Assigned for				
Athletic facilities improvement	203,698	-	-	203,698
Extra-curricular activities	-	157,571	-	157,571
Student sponsored activities	<u>-</u>	<u>-</u>	<u>46,904</u>	<u>46,904</u>
Total fund balances	<u>203,698</u>	<u>157,571</u>	<u>46,904</u>	<u>408,173</u>
Total liabilities and fund balances	<u>\$ 207,326</u>	<u>\$ 157,571</u>	<u>\$ 71,436</u>	<u>\$ 436,333</u>

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2023

	<u>Athletic Facilities Improvement</u>	<u>Extra- Curricular Fund</u>	<u>Student Sponsored Activity Fund</u>	<u>Total</u>
REVENUES				
Local sources	\$ 84,542	\$ 20,856	\$ 37,085	\$ 142,483
EXPENDITURES				
Current				
Operation of noninstructional services	104,935	-	45,340	150,275
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	<u>(20,393)</u>	<u>20,856</u>	<u>(8,255)</u>	<u>(7,792)</u>
FUND BALANCES				
Beginning of year	<u>224,091</u>	<u>136,715</u>	<u>55,159</u>	<u>415,965</u>
End of year	<u>\$ 203,698</u>	<u>\$ 157,571</u>	<u>\$ 46,904</u>	<u>\$ 408,173</u>

SINGLE AUDIT

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-230096	07/01/22-09/30/23	\$ 1,514,288	\$ 975,650	\$ -	\$ 1,475,682	\$ 1,475,682	\$ 500,032	\$ -
Title I - Improving Basic Programs	I	84.010	013-220096	07/30/21-09/30/22	1,648,617	318,987	220,918	98,069	98,069	-	-
Total ALN #84.010						1,294,637	220,918	1,573,751	1,573,751	500,032	-
Title II - Improving Teacher Quality	I	84.367	020-230096	07/01/22-09/30/23	162,503	125,804	-	157,324	157,324	31,520	-
Title II - Improving Teacher Quality	I	84.367	020-220096	07/30/21-09/30/22	220,859	72,979	49,905	23,074	23,074	-	-
Total ALN #84.367						198,783	49,905	180,398	180,398	31,520	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-230096	07/01/22-09/30/23	43,122	34,858	-	37,184	37,184	2,326	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-220096	07/01/21-09/30/22	41,321	5,954	(5,144)	11,098	11,098	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-210096	07/01/20-09/30/21	45,548	3,037	3,037	-	-	-	-
Total ALN #84.365						43,849	(2,107)	48,282	48,282	2,326	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-230096	07/01/22-09/30/23	128,287	87,291	-	106,674	106,674	19,383	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220096	07/01/21-09/30/22	90,084	36,065	9,069	26,996	26,996	-	-
Total ALN #84.424						123,356	9,069	133,670	133,670	19,383	-
COVID-19 CARES Act - ESSER I	I	84.425D	200-200096	03/13/20-09/30/22	1,154,952	-	(1,434)	1,434	1,434	-	-
COVID-19 CRRSA Act - ESSER II	I	84.425D	200-210096	03/13/20-09/30/23	4,423,529	2,057,455	259,552	3,585,915	3,585,915	1,788,012	-
COVID-19 ARP - ESSER III	I	84.425U	223-210096	03/13/20-09/30/24	8,947,519	3,090,961	(518,140)	2,311,752	2,311,752	(1,297,349)	-
COVID-19 ARP ESSER 7%	I	84.425U	225-210096	03/13/20-09/30/24	695,422	202,305	80,076	112,642	112,642	(9,587)	-
COVID-19 ARP ESSER Homeless Children & Youth	I	84.425W	181-212099	07/01/21-09/30/24	65,583	40,359	(3,363)	65,583	65,583	21,861	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
Passed-Through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 ESSER School Health & Safety Grants	I	84.425D	2020-ES-01-35410	03/13/20-09/30/22	122,277	15,259	15,166	93	93	-	-
Total ALN #84.425						5,406,339	(168,143)	6,077,419	6,077,419	502,937	-
Passed Through the Lancaster-Lebanon I.U.											
COVID-19 I.D.E.A. - Part B, Section 611	I	84.027	062-220013	07/01/21-09/30/23	141,835	58,325	-	99,068	99,068	40,743	-
I.D.E.A. - Part B, Section 611	I	84.027	062-230013	07/01/22-09/30/23	821,574	315,505	-	821,574	821,574	506,069	-
I.D.E.A. - Part B, Section 611	I	84.027	062-220013	07/01/21-09/30/22	761,916	522,906	522,906	-	-	-	-
Total ALN #84.027						896,736	522,906	920,642	920,642	546,812	-
I.D.E.A. - Part B, Section 619	I	84.173	131-220013	07/01/22-09/30/23	5,850	-	-	5,564	5,564	5,564	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210013	07/01/21-09/30/22	4,137	4,137	4,137	-	-	-	-
Total ALN #84.173						4,137	4,137	5,564	5,564	5,564	-
Total U.S. Department of Education						7,967,837	636,685	8,939,726	8,939,726	1,608,574	-
U.S. Department of Health and Human Services											
Passed Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/22-06/30/23	N/A	8,597	-	8,597	8,597	-	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	370,880	-	370,880	370,880	-	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22-06/30/23	N/A	628	-	628	628	-	-
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	1,295,959	-	1,295,959	1,295,959	-	-
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	a) 179,694	b) (31,811)	c) 193,558	193,558	d) (17,947)	-
Total ALN #10.555						1,475,653	(31,811)	1,489,517	1,489,517	(17,947)	-
Total U.S. Department of Agriculture						1,847,161	(31,811)	1,861,025	1,861,025	(17,947)	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
Passed-Through the Pennsylvania Department of Agriculture											
Total Federal Awards						\$ 9,823,595	\$ 604,874	\$ 10,809,348	\$ 10,809,348	\$ 1,590,627	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 900,873	\$ 527,043	\$ 926,206	\$ 926,206	\$ 552,376	\$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						\$ 1,846,533	\$ (31,811)	\$ 1,860,397	\$ 1,860,397	\$ (17,947)	\$ -

Footnotes

- a) Total amount of commodities received
- b) Beginning inventory July 1
- c) Total amount of commodities used
- d) Ending inventory June 30

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Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Funding
- ALN - Assistance Listing Number

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

(1) FEDERAL EXPENDITURES

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

(2) BASIS OF ACCOUNTING

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

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

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

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2023 was \$428,214.

(5) INDIRECT COSTS

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

CONESTOGA VALLEY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2023

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



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

**Board of School Directors
Conestoga Valley School District
Lancaster, 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 Conestoga Valley School District, Lancaster, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Conestoga Valley School District's basic financial statements, and have issued our report thereon dated November 16, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
November 16, 2023**



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

**Board of School Directors
Conestoga Valley School District
Lancaster, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Conestoga 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 Conestoga 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, rules and provisions of contracts or grant agreements applicable to Conestoga Valley School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Conestoga 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 Conestoga 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 Conestoga 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 Conestoga 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 Conestoga 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.

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
November 16, 2023**

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Conestoga Valley School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Conestoga Valley School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Conestoga Valley School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Conestoga Valley School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Title I – Assistance Listing #84.010
 - Education Stabilization Fund – Assistance Listing #84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Conestoga Valley School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUPPLEMENTAL INFORMATION

CONESTOGA VALLEY SCHOOL DISTRICT

REAL ESTATE TAX LEVIES AND COLLECTIONS

Last ten fiscal years ending June 30

<u>School Year</u>	<u>Assessed Value</u>	<u>Base Millage</u>	<u>Gross Tax Levy</u>	<u>Act 1 Property Tax Reduction Allocation</u>	<u>Gross Adjusted Tax Levy</u>	<u>Current Collections Amount</u>	<u>Current Year Collections As a Percentage of Adjusted Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections Amount</u>	<u>Total Collection As a Percentage</u>
2013-2014	2,692,060,600	14.5280	39,110,256	697,346	38,412,910	37,244,744	96.96%	697,562	37,942,306	98.77%
2014-2015	2,681,997,700	14.8330	39,782,072	699,065	39,083,007	37,842,885	96.83%	717,398	38,560,283	98.66%
2015-2016	2,688,355,900	15.2064	40,880,215	700,553	40,179,662	39,129,793	97.39%	630,670	39,760,463	98.96%
2016-2017	2,706,397,200	15.9240	43,096,669	701,315	42,395,354	41,272,962	97.35%	534,577	41,807,539	98.61%
2017-2018	2,718,332,800	16.3220	44,368,628	707,426	43,661,202	42,346,972	96.99%	674,669	43,021,641	98.54%
2018-2019	3,467,500,300	13.3940	46,443,699	706,526	45,737,173	44,381,363	97.04%	663,179	45,044,542	98.49%
2019-2020	3,444,267,500	13.7940	47,510,226	708,652	46,801,574	45,363,642	96.93%	585,388	45,949,030	98.18%
2020-2021	3,467,515,900	14.1526	49,074,366	710,016	48,364,350	46,820,764	96.81%	791,847	47,612,611	98.45%
2021-2022	3,472,515,800	14.4739	50,260,846	708,652	49,552,194	48,123,504	97.12%	460,197	48,583,701	98.05%
2022-2023	3,504,470,800	14.9660	52,447,910	898,677	51,549,233	50,696,130	98.35%	554,753	51,250,883	99.42%
2023-2024	3,529,481,000	15.3776	54,274,947	903,565	53,371,382	N/A	N/A	N/A	N/A	N/A

CONESTOGA VALLEY SCHOOL DISTRICT

REAL ESTATE TAX RATES (Mills)

Last ten and current fiscal years ending June 30

<u>Municipality</u>	<u>2013-2014 School District</u>	<u>2013 Municipal</u>	<u>2013 County</u>
East Lampeter Township	14.528	1.600	3.735
Upper Leacock Township	14.528	1.700	3.735
West Earl Township	14.528	1.590	3.735

<u>Municipality</u>	<u>2014-2015 School District</u>	<u>2014 Municipal</u>	<u>2014 County</u>
East Lampeter Township	14.833	1.600	3.735
Upper Leacock Township	14.833	1.700	3.735
West Earl Township	14.833	1.590	3.735

<u>Municipality</u>	<u>2015-2016 School District</u>	<u>2015 Municipal</u>	<u>2015 County</u>
East Lampeter Township	15.2064	1.600	3.735
Upper Leacock Township	15.2064	1.700	3.735
West Earl Township	15.2064	1.590	3.735

<u>Municipality</u>	<u>2016-2017 School District</u>	<u>2016 Municipal</u>	<u>2016 County</u>
East Lampeter Township	15.9240	1.730	3.735
Upper Leacock Township	15.9240	1.700	3.735
West Earl Township	15.9240	1.590	3.735

<u>Municipality</u>	<u>2017-2018 School District</u>	<u>2017 Municipal</u>	<u>2017 County</u>
East Lampeter Township	16.3220	1.990	3.735
Upper Leacock Township	16.3220	2.000	3.735
West Earl Township	16.3220	1.590	3.735

<u>Municipality</u>	<u>2018-2019 School District</u>	<u>2018 Municipal</u>	<u>2018 County</u>
East Lampeter Township	13.3940	1.750	2.910
Upper Leacock Township	13.3940	1.695	2.910
West Earl Township	13.3940	1.267	2.910

CONESTOGA VALLEY SCHOOL DISTRICT

REAL ESTATE TAX RATES (Mills) (Continued)

Last ten and current fiscal years ending June 30

<u>Municipality</u>	<u>2019-2020 School District</u>	<u>2019 Municipal</u>	<u>2019 County</u>
East Lampeter Township	13.7940	1.900	2.911
Upper Leacock Township	13.7940	1.695	2.911
West Earl Township	13.7940	1.267	2.911

<u>Municipality</u>	<u>2020-2021 School District</u>	<u>2020 Municipal</u>	<u>2020 County</u>
East Lampeter Township	14.1526	1.900	2.911
Upper Leacock Township	14.1526	1.695	2.911
West Earl Township	14.1526	1.267	2.911

<u>Municipality</u>	<u>2021-2022 School District</u>	<u>2021 Municipal</u>	<u>2021 County</u>
East Lampeter Township	14.4739	1.900	2.911
Upper Leacock Township	14.4739	1.695	2.911
West Earl Township	14.4739	1.267	2.911

<u>Municipality</u>	<u>2022-2023 School District</u>	<u>2022 Municipal</u>	<u>2022 County</u>
East Lampeter Township	14.9660	1.900	2.911
Upper Leacock Township	14.9660	1.695	2.911
West Earl Township	14.9660	1.267	2.911

<u>Municipality</u>	<u>2023-2024 School District</u>	<u>2023 Municipal</u>	<u>2023 County</u>
East Lampeter Township	15.3776	1.900	2.911
Upper Leacock Township	15.3776	1.695	2.911
West Earl Township	15.3776	1.561	2.911

CONESTOGA VALLEY SCHOOL DISTRICT

NON-REAL ESTATE TAX RATES

Last ten fiscal years ending June 30

2014 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2015 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2016 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2017 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2018 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2019 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

CONESTOGA VALLEY SCHOOL DISTRICT

NON-REAL ESTATE TAX RATES (Continued)

Last ten fiscal years ending June 30

2020 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2021 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2022 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

2023 Municipality	Realty Transfer Tax		Earned Income Tax		Local Services		Amusement Tax	
	Municipal	School	Municipal	School	Municipal	School	Municipal	School
East Lampeter Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10	5.0%	2.0%
Upper Leacock Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%
West Earl Township	0.5%	0.5%	0.5%	0.5%	\$ 42	\$ 10		2.0%

CONESTOGA VALLEY SCHOOL DISTRICT

PRINCIPAL TAXPAYERS

<u>Taxpayer</u>	<u>Assessed Valuation</u>
High Properties	\$ 330,161,400
Dart Container Corp Of PA	54,094,900
Tanger Properties Limited PRTN	38,802,000
Lancaster New Holland Real Estate	34,898,900
TKG Mill Creek Shopping Center	31,833,800
Calumet Enterprises LLC	20,902,400
Fairmount Homes	19,177,400
East Lampeter Associates	15,886,100
Cedar Acres East	14,961,500
LSC Communications US LLC/Donnelly	<u>13,159,400</u>
	<u>\$ 573,877,800</u>
Total Taxable Assessed Value	<u>\$ 3,529,481,000</u>
10 Largest as a Percentage of Total Assessment	<u>16.26%</u>

Above assessment values are based upon July 1, 2023 values.

CONESTOGA VALLEY SCHOOL DISTRICT

PROPERTY ASSESSMENT DATA

Last ten calendar years ending December 31

<u>Calendar Year</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Common Level Ratio</u>
2013	2,680,410,700	2,882,192,258	79.10%
2014	2,676,741,600	2,926,156,117	77.50%
2015	2,680,065,800	2,929,799,573	75.50%
2016	2,694,851,500	3,060,134,766	73.70%
2017	2,717,612,600	3,088,259,918	100.00%
2018 *	3,450,025,400	3,222,605,595	87.00%
2019	3,437,429,800	3,214,897,729	83.40%
2020	3,455,027,100	3,359,373,093	78.10%
2021	3,452,905,400	3,356,241,036	68.10%
2022	3,487,393,500	3,607,315,713	60.40%

Source: *Pennsylvania State Tax Equalization Board*

* Lancaster County underwent a countywide reassessment in 2018.

CONESTOGA VALLEY SCHOOL DISTRICT

ENROLLMENT DATA

Last ten fiscal years ending June 30

<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2013-2014	2,217	2,000	4,217
2014-2015	2,175	2,064	4,239
2015-2016	2,228	1,990	4,218
2016-2017	2,151	2,025	4,176
2017-2018	2,291	1,900	4,191
2018-2019	2,200	1,945	4,145
2019-2020	2,218	1,933	4,151
2020-2021	1,963	1,854	3,817
2021-2022	2,095	1,953	4,048
2022-2023	2,017	1,956	3,973
2023-2024*	2,024	1,917	3,941

* Projected