



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

Financial Statements
Year Ended June 30, 2020



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Philadelphia, PA 19103

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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**

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, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Conestoga Valley School District, Lancaster, Pennsylvania as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Conestoga Valley School District's 2019 financial statements, and our report dated October 16, 2019 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 and pension plan contributions, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability - PSERS and OPEB plan PSERS contributions on pages 3 through 15 and 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Conestoga Valley School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of 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 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.

The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, 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
October 19, 2020**

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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, 2020. 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 and one high school with a student population of approximately 4,151 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 2019-2020, there were 402 employees in the District consisting of 329 teachers, 25 administrators, including general administration, principals and supervisors and 48 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 2019-2020 fiscal year of \$28,325,103. During the 2019-2020 fiscal year, the District had a decrease in total net position of \$1,171,842. The net position of governmental activities decreased by \$1,394,138 and the net position of the business-type activities increased by \$222,296.
- The General Fund reported an increase of fund balance of \$1,728,910, bringing the cumulative balance to \$15,492,247 at the conclusion of the 2019-2020 fiscal year.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Lancaster County, Pennsylvania for what was an extended period of time. This mandate resulted in a disruption of District services and impaired the ability of the District to generate revenues.
- At June 30, 2020, the General Fund fund balance includes
 - \$241,739 which is considered non-spendable
 - \$2,690,809 committed to state pension benefit costs
 - \$425,000 committed to health savings account reserves
 - \$1,836,000 committed for future debt service obligations
 - \$460,997 committed for savings from bond refunding to balance 2020-2021 budget
 - \$2,120,588 committed for COVID-19 related expenditures
 - \$1,900,000 assigned for assessment appeals and tax increment financing

The remaining \$5,817,114 is unassigned and represents 7.88% of the \$73,859,720 2020-2021 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 \$364,268 or 0.50% less than budgeted amounts and actual expenditures and other financing uses were \$3,145,175 or 4.31% less than budgeted amounts resulting in a net positive variance of \$2,780,917.
 - At the end of the current fiscal year, the District had total general obligation debt of \$56,465,231 consisting of \$49,605,000 in bonds payable, \$4,728,341 in notes payable and net deferred credits of \$2,131,890.
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CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

On August 22, 2019, the District issued \$38,745,000 of general obligation bonds, Series of 2019, the proceeds from which are to be used to finance various capital projects including the new Gerald G. Huesken Middle School and the Brownstown Elementary School renovations and to pay for the costs of issuance. On September 13, 2019, the District issued \$4,500,000 of general obligation notes, Series of 2019A and 2019B. The proceeds of these notes were used to refund and restructure general obligation bonds, Series of 2012 and Series of 2014. The District refunded the general obligation bonds to reduce future debt service payments by \$30,644.

The District's general obligation debt is backed by the full faith of the District and increased by \$43,558,351 or 264.87% during the fiscal year.

- 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 \$91,787,477 as of June 30, 2020. The District's net pension liability decreased by \$2,590,284 or 2.74% 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.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

FUND FINANCIAL STATEMENTS

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

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions 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 five 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 25 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.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

The notes to the financial statements can be found on Pages 27 through 53 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.

The required supplementary information and additional analysis can be found on Pages 54 through 63 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 2019-2020 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$28,325,103. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2020 and 2019.

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	\$ 66,555,823	\$ 38,520,425	\$660,749	\$475,441	\$ 67,216,572	\$ 38,995,866
Noncurrent assets	68,657,464	55,319,086	221,380	147,745	68,878,844	55,466,831
Total assets	<u>135,213,287</u>	<u>93,839,511</u>	<u>882,129</u>	<u>623,186</u>	<u>136,095,416</u>	<u>94,462,697</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>23,333,037</u>	<u>23,185,317</u>	-	-	<u>23,333,037</u>	<u>23,185,317</u>
LIABILITIES						
Current liabilities	12,982,806	9,966,967	100,806	64,159	13,083,612	10,031,126
Noncurrent liabilities	168,649,073	128,937,936	-	-	168,649,073	128,937,936
Total liabilities	<u>181,631,879</u>	<u>138,904,903</u>	<u>100,806</u>	<u>64,159</u>	<u>181,732,685</u>	<u>138,969,062</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,020,871</u>	<u>5,832,213</u>	-	-	<u>6,020,871</u>	<u>5,832,213</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	43,562,309	45,417,874	221,380	147,745	43,783,689	45,565,619
Restricted	3,841,732	4,791,848	-	-	3,841,732	4,791,848
Unrestricted (deficit)	<u>(76,510,467)</u>	<u>(77,922,010)</u>	<u>559,943</u>	<u>411,282</u>	<u>(75,950,524)</u>	<u>(77,510,728)</u>
Total net position (deficit)	<u>\$ (29,106,426)</u>	<u>\$ (27,712,288)</u>	<u>\$781,323</u>	<u>\$559,027</u>	<u>\$ (28,325,103)</u>	<u>\$ (27,153,261)</u>

The District's total assets as of June 30, 2020 were \$136,095,416 of which \$60,460,219 or 44.42% consisted of unrestricted cash and investments and \$68,878,844 or 50.61% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2020 were \$181,732,685 of which \$56,465,321 or 31.07% consisted of general obligation debt used to acquire and construct capital assets and \$91,787,477 or 50.51% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$75,950,524 at June 30, 2020. The District's unrestricted net position increased by \$1,560,204 during 2019-2020 primarily due to the current year results of operations offset by the change in the District's actuarially determined net pension and other post-employment benefit liabilities 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 \$3,841,732 as of June 30, 2020. All of the District's restricted net position related to amounts restricted for capital expenditures and debt service.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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, 2020, the District's net investment in capital assets decreased by \$1,781,930 because capital assets were being depreciated faster than the debt used to acquire them was being paid back.

The following table presents condensed information for the *Statement of Activities* of the District for 2020 and 2019:

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ 317,927	\$ 394,677	\$ 501,580	\$ 695,936	\$ 819,507	\$ 1,090,613
Operating grants and contributions	12,807,943	13,374,058	1,274,415	1,249,954	14,082,358	14,624,012
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	46,215,256	45,245,600	-	-	46,215,256	45,245,600
Earned income taxes levied for general purposes	4,607,016	4,714,357	-	-	4,607,016	4,714,357
Other taxes	1,326,893	1,381,798	-	-	1,326,893	1,381,798
Grants and entitlements not restricted to specific programs	5,494,873	5,204,566	-	-	5,494,873	5,204,566
Investment earnings	1,214,961	924,110	6,098	12,881	1,221,059	936,991
Total revenues	<u>71,984,869</u>	<u>71,239,166</u>	<u>1,782,093</u>	<u>1,958,771</u>	<u>73,766,962</u>	<u>73,197,937</u>
EXPENSES						
Instruction	46,691,188	46,411,956	-	-	46,691,188	46,411,956
Instructional student support services	5,823,205	5,792,142	-	-	5,823,205	5,792,142
Administrative and financial support services	5,445,803	5,022,938	-	-	5,445,803	5,022,938
Operation and maintenance of plant services	4,645,251	4,561,431	-	-	4,645,251	4,561,431
Pupil transportation	2,326,834	2,893,917	-	-	2,326,834	2,893,917
Student activities	1,497,536	1,471,852	-	-	1,497,536	1,471,852
Community services	11,889	18,258	-	-	11,889	18,258
Interest, swap termination fees and amortization expense related to non-current liabilities	6,884,091	319,744	-	-	6,884,091	319,744
Food service	-	-	1,613,007	1,874,054	1,613,007	1,874,054
Total expenses	<u>73,325,797</u>	<u>66,492,238</u>	<u>1,613,007</u>	<u>1,874,054</u>	<u>74,938,804</u>	<u>68,366,292</u>
Change in net position (deficit) before transfers	(1,340,928)	4,746,928	169,086	84,717	(1,171,842)	4,831,645
Transfers	(53,210)	(24,650)	53,210	24,650	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ (1,394,138)</u>	<u>\$ 4,722,278</u>	<u>\$ 222,296</u>	<u>\$ 109,367</u>	<u>\$ (1,171,842)</u>	<u>\$ 4,831,645</u>

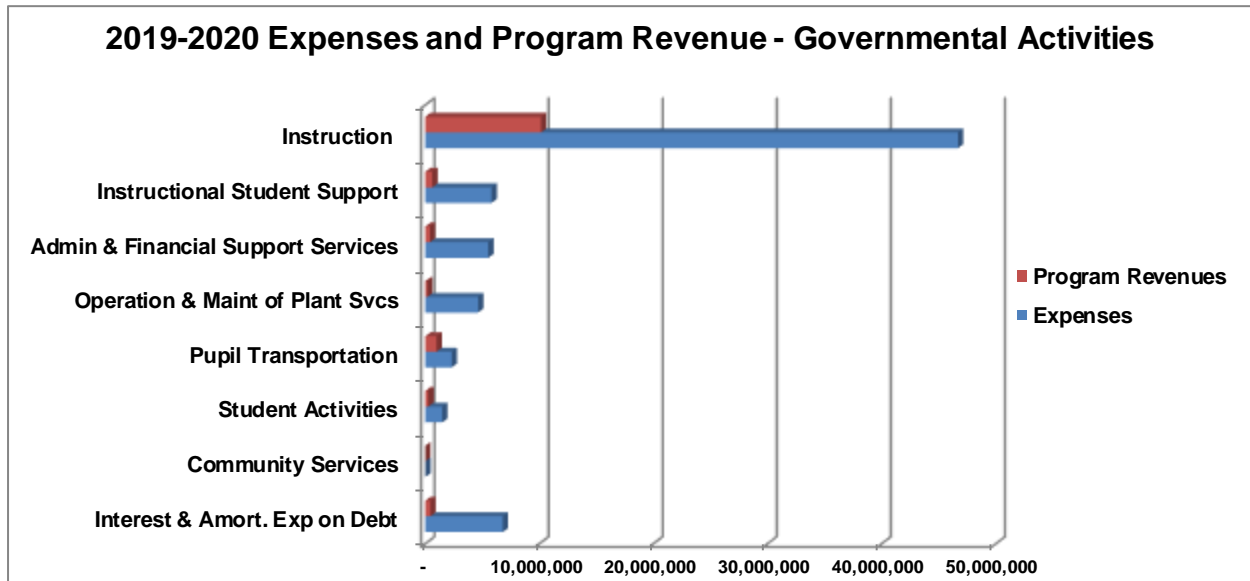
CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

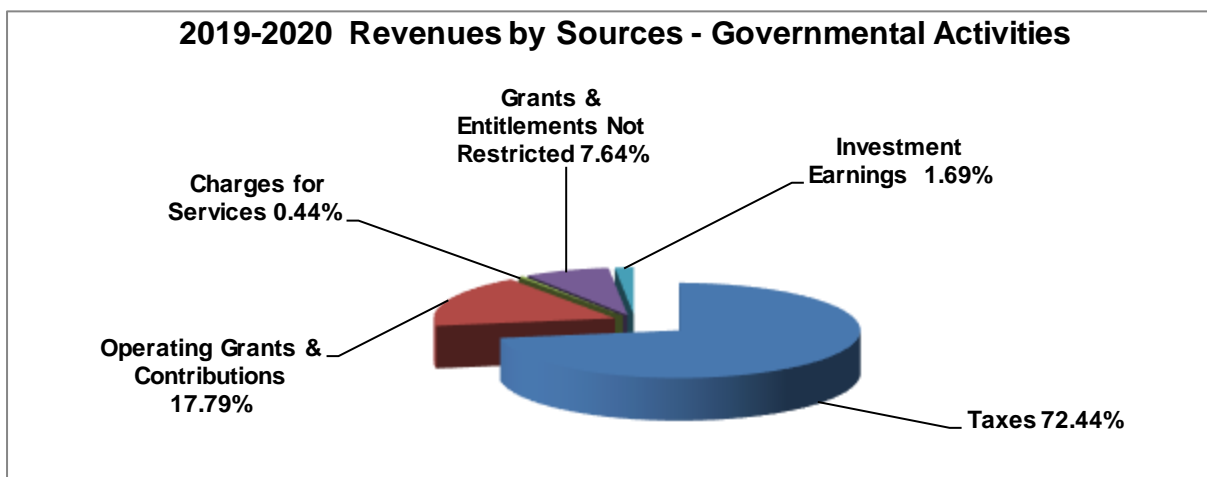
June 30, 2020

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.



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.



CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

GOVERNMENTAL FUNDS

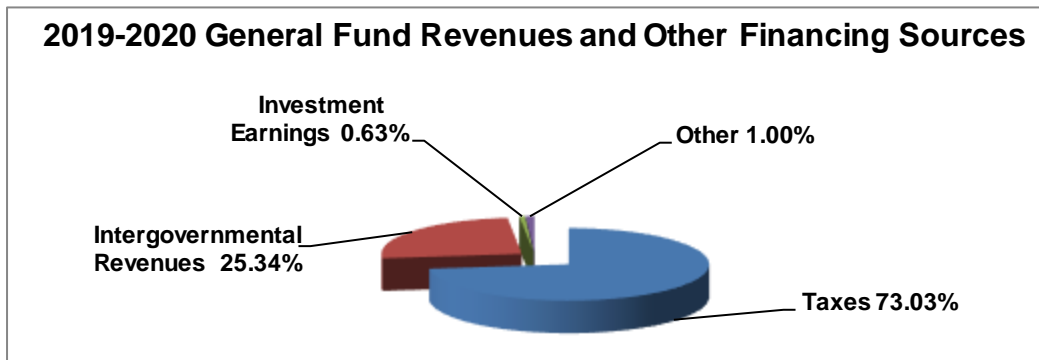
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2020, the District's governmental funds reported a combined fund balance of \$51,700,745 which is an increase of \$25,700,348 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2020 and 2019, and the total 2020 change in governmental fund balances.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General Fund	\$15,492,247	\$13,763,337	\$ 1,728,910
Capital Projects Fund	35,958,797	11,929,880	24,028,917
Debt Service Fund	13,973	73,973	(60,000)
Nonmajor Governmental Funds	<u>235,728</u>	<u>233,207</u>	<u>2,521</u>
	<u>\$51,700,745</u>	<u>\$26,000,397</u>	<u>\$25,700,348</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2019-2020 fiscal year, the General Fund fund balance was \$15,492,247, representing an increase of \$1,728,910 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 2019-2020 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below indicates 73.03% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$52,228,956	\$51,301,895	\$ 927,061	1.81
Intergovernmental revenues	18,117,342	18,338,777	(221,435)	(1.21)
Investment earnings	449,529	738,827	(289,298)	(39.16)
Other	<u>715,119</u>	<u>798,270</u>	<u>(83,151)</u>	<u>(10.42)</u>
	<u>\$71,510,946</u>	<u>\$71,177,769</u>	<u>\$ 333,177</u>	<u>0.47</u>

Net tax revenues increased by \$927,061, or 1.81 % due to several factors. A millage increase of 2.99% in 2019-2020 and a large interim assessment caused the majority of the increase which was offset by a decrease in all other tax revenues.

CONESTOGA VALLEY SCHOOL DISTRICT

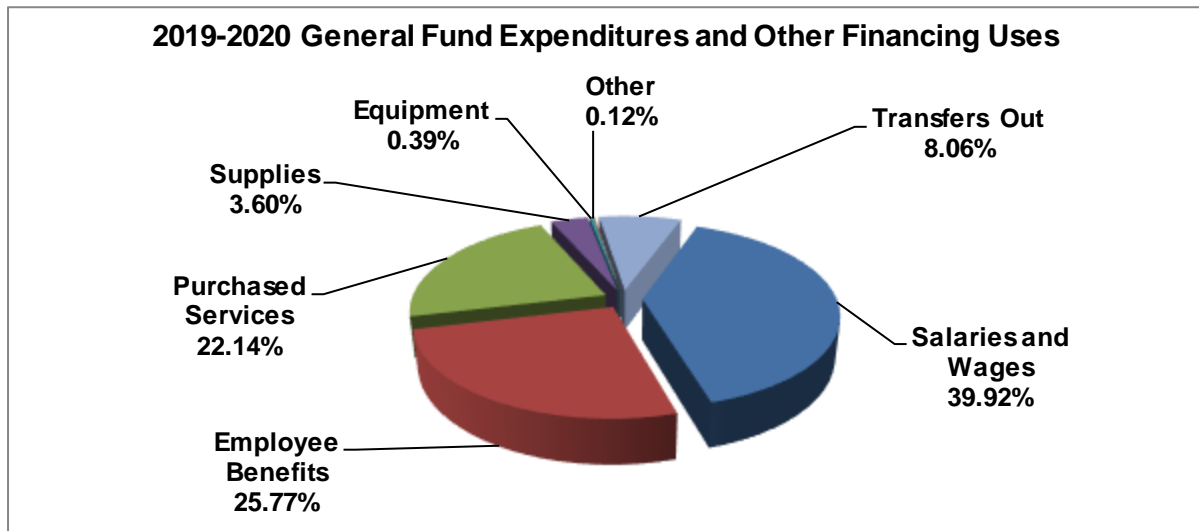
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$45,363,642	\$44,381,363	\$ 982,279	2.21
Interim tax	346,019	161,198	184,821	114.65
PURTA tax	45,319	48,887	(3,568)	(7.30)
Local services tax	267,035	279,364	(12,329)	(4.41)
Earned income tax	4,607,015	4,714,357	(107,342)	(2.28)
Transfer tax	684,486	703,993	(19,507)	(2.77)
Amusement tax	329,590	348,867	(19,277)	(5.53)
Delinquent real estate tax	585,388	663,179	(77,791)	(11.73)
Delinquent per capita tax	<u>462</u>	<u>687</u>	<u>(225)</u>	<u>(32.75)</u>
	<u>\$52,228,956</u>	<u>\$51,301,895</u>	<u>\$ 927,061</u>	<u>1.81</u>

Investment earnings decreased significantly compared to the prior year due to declining interest rates.

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>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$27,860,588	\$27,359,062	\$ 501,526	1.83
Employee benefits	17,983,334	17,078,729	904,605	5.30
Purchased services	15,448,587	16,115,393	(666,806)	(4.14)
Supplies	2,512,957	2,999,706	(486,749)	(16.23)
Equipment	270,404	417,002	(146,598)	(35.16)
Other	82,110	52,200	29,910	57.30
Transfers out	<u>5,624,056</u>	<u>7,064,926</u>	<u>(1,440,870)</u>	<u>(20.39)</u>
	<u>\$69,782,036</u>	<u>\$71,087,018</u>	<u>\$(1,304,982)</u>	<u>(1.84)</u>

Salaries and wages increased by \$501,526 or 1.83%, in 2019-2020 compared to 2018-2019. The scheduled salary increases within the District's negotiated collective bargaining agreement as well as increases for other staff were offset by positions that were either vacant or eliminated and savings through attrition.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

Employee benefits increased by \$904,605 or 5.30% in 2019-2020 compared to 2018-2019 primarily due to an increase in healthcare costs and an increase in the required annual retirement contribution to 34.29% from 33.43% which represents a 2.57% increase from the prior year.

Purchased services decreased in 2019-2020 compared to 2018-2019. The District experienced an increase in special education purchased services of approximately 7.00%. This increase was due in part to an increase in students qualifying for special education services. However, due to the District not meeting person after March 13, 2020 because of the COVID-19 pandemic, the District experienced savings in transportation costs of about 14.50% and savings in contracted services for substitute teachers and instructional aides of about 24.50%.

Supplies, including utilities and software expenditures, decreased by \$486,749 or 16.23%, in 2019-2020 compared to 2018-2019. Supplies and transportation fuel costs decreased due to the closure of school in March 2020 as a result of COVID-19. Technology software expenditures also decreased during the year.

Transfers out in 2019-2020 and 2018-2019 represent transfers to the Capital Projects Fund and Debt Service Fund to subsidize capital expenditures and debt service maturities as they become due. During 2019-2020, transfers out decreased due to a decrease in transfers to the Capital Projects Fund when compared to 2018-2019.

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 2019-2020, the Capital Projects Fund reported an increase in fund balance of \$24,028,917 due to the issuance of general obligation debt and transfers from the General Fund in excess of amounts expended for capital expenditures. The remaining fund balance of \$35,958,797 as of June 30, 2020 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.

As of June 30, 2020, the fund balance in the Debt Service Fund was \$13,973 and represents an interfund receivable from the General Fund.

GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were \$364,268, or 0.50% less than budgeted amounts and actual expenditures and other financing uses were \$3,145,175 or 4.31% less than budgeted amounts resulting in a net positive variance of \$2,850,917. Major budgetary highlights for 2019-2020 were as follows:

- Total expenditures were \$2,277,599 less than budgeted. The District had several positions throughout the year that were unfilled or not replaced. Due to COVID-19, contracted services for substitute teachers and instructional aides were suspended due to the school closure from March 13, 2020 through the end of the school year. Transportation costs were also less than budgeted due to the impact of COVID-19. In addition, many supplies and services were not purchased or needed because the school was operating online and not in person.
 - Total transfers out were under budget by \$632,442 as a result of savings recognized through debt refinancing of general obligation debt.
 - The revenues and expenditures related to the Athletic Fund are recorded separately from the General Fund for internal reporting purposes. For financial statement purposes, the two funds are combined. The athletic expenditures are reported within the student activities function under operation of non-instructional services and the transfer from the General Fund to the Athletic Fund is netted out of the transfers out under other financing sources.
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CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2019-2020, the net position of the business-type activities and Food Service Fund increased by \$222,296. As of June 30, 2020, the business-type activities and Food Service Fund had net position of \$781,323.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounted to \$68,878,844 net of accumulated depreciation. This investment in capital assets includes land, site improvements, buildings and improvements, and furniture and equipment including vehicles. The total increase in the District's net investment in capital assets for the current fiscal year was \$13,412,013 or 24.18%. The increase was the result of current year capital additions in excess of depreciation expense and loss on disposals.

Current year capital expenditures were \$16,694,860 and depreciation expense and loss on disposals were \$3,282,847.

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

● New Gerald G. Huesken Middle School – construction in progress	\$ 1,936,827
● Brownstown Elementary School renovations – construction in progress	\$12,357,306
● Middle School Roof	\$ 340,000
● High School Roof	\$ 1,003,000
● Information technology equipment – capital lease	\$ 486,482

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$56,465,231 consisting of \$49,605,000 in bonds payable, \$4,728,341 in notes payable and net deferred credits of \$2,131,890.

On August 22, 2019, the District issued \$38,745,000 of general obligation bonds, Series of 2019, the proceeds from which are to be used to finance various capital projects including the new Gerald G. Huesken Middle School and the Brownstown Elementary School renovations and to pay for the costs of issuance. On September 13, 2019, the District issued \$4,500,000 of general obligation notes, Series of 2019A and 2019B. The proceeds of these notes were used to refund and restructure general obligation bonds, Series of 2012 and Series of 2014. The District refunded the general obligation bonds to reduce future debt service payments by \$30,644.

The District's general obligation debt is backed by the full faith of the District and increased by \$43,558,351 or 264.87% 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 \$157,437,640 which exceeds the District's outstanding general obligation debt as of June 30, 2020.

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 \$91,787,477 as of June 30, 2020. The District's net pension liability decreased by \$2,590,284, or 2.74% 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 \$7,115,204 as of June 30, 2020. The District's OPEB liability increased by \$194,834, or 2.82% during the fiscal year.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

Other noncurrent liabilities consist of the District's liabilities for capital leases, accrued retirement bonuses and compensated absences which totaled \$2,034,567 as of June 30, 2020. These liabilities increased by \$210,326, or 11.53% during the fiscal year.

The District has entered into two cash settled forward interest rate swaps designed to manage interest rate risk and cost and are intended to hedge interest rates on the future issuance of general obligation bonds. The District paid a swap termination fee of \$5,364,000 on one of the interest rate swaps in 2019 and the fair market value of the other interest rate swap as of June 30, 2020 was a negative \$11,246,594.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District adopted a balanced 2020-2021 budget totaling \$73,859,720 which used \$675,000 of committed General Fund fund balance as of June 30, 2020 to balance the 2020-2021 budget and raised the real estate tax millage by 2.60%.

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 to 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 ("**HAS**") 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 level off increases in the rate are not as significant, however, the rate is projected to be 36.60% in 2024-2025.

The School Board authorized the District to move forward with the planning and financing of a new middle school encompassing grades 6 through 8 and completing needed renovations to the remaining buildings. This would allow the current Smoketown Elementary population to move to the existing Gerald G. Huesken Middle School building, as well as alleviate crowding in two of the remaining elementary schools. With renovations to Brownstown Elementary School substantially complete and site work for the new middle school is underway, the estimated total cost of the projects is becoming more clear. Bids on Brownstone Elementary School came in 8.00% over budget and bids on the the new middle school were awarded in March 2020 at 15.00% over budget. The projects are being financed by issuing general obligation bonds; \$10,000,000 was issued in November 2018, \$40,000,000 was issued in August 2019, \$40,000,000 will be issued in August 2021 and the last remaining issuances is expected to be in June 2022. 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 schedules to be terminated in August, 2020 was extended and is expected to be terminated in August, 2021. As current debt is paid off, the structure and timing of the new bond issues will 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.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

The District adopted a 2020-2021 budget totaling \$73,859,720 using \$1,397,550 of General Fund fund balance which consisted of both unassigned and committed funds designated for the future state pension benefit costs and health savings account reserves. The District's use of fund balance is expected to offset projected decreases in local revenues as a result of the COVID-19 pandemic. These decreases totaling \$1,426,000 include investment income, earned income and realty transfer tax revenues. In addition, District expenditures will also be impacted due to the COVID-19 pandemic and the resulting adjustments that were made to in person and online learning as well as the health and safety measures implemented to operate school safely. The District is offering in person learning, online learning and the Conestoga Valley Virtual Academy ("**CVVA**") as options. The District developed CVVA over ten years ago as not only as a learning alternative for students. Typically, the District's costs to offer CVVA is less than the tuition costs paid to outside cyber schools. Due to the COVID-19 pandemic, the enrollment in CVVA increased by over 400 students. Additionally, enrollment in cyber charter schools increased by over 25 students and the number of students enrolled in homeschooling has increased by over 100. The District anticipates significant increase in costs to related to the increased enrollment in the online learning options. The District plans to use \$2.1 million as a result of the June 30, 2020 surplus for COVID-19 related expenditures to help cover additional costs expected to be incurred for additional teachers, PPE and other cleaning supplies and technology to support on line learning. The District will also receive pass-through Federal funds from the Pennsylvania Department of Education and the Pennsylvania Commission on Crime and Delinquency to offset these additional expenditures.

With the exception of the increase in the state retirement and basic education subsidy, support from the Commonwealth of Pennsylvania 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, district poverty levels and provides for a local wealth adjustment and a local tax effort and capacity adjustment.

The 2020-2021 fiscal year budget was prepared in accordance with the mandates of Act 1 of 2006 ("**Act 1**"). Act 1 is likely to continue to have an effect upon 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 2019-2020 fiscal year was 2.30%, the index for 2020-2021 is 2.60% and the index for 2021-2022 will be 3.00%. 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 ten 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 2021-2022 preliminary budget or for adoption of a resolution not to exceed the index will be January 1, 2021.

The District maintains an Aa2 rating (the third highest rating) from Moody's, one of America's top bond credit rating agencies. Calling the District's 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.

CONESTOGA VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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, 2020 with summarized comparative totals for 2019

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 19,027,469	\$ 497,880	\$ 19,525,349	\$ 17,597,888
Investments	40,934,870	-	40,934,870	15,618,933
Taxes receivable	1,634,056	-	1,634,056	1,795,604
Due from other governments	2,879,973	157,520	3,037,493	2,971,002
Internal balances	51,536	(51,536)	-	-
Other receivables	326,270	6,866	333,136	218,475
Prepaid expenses	1,701,649	-	1,701,649	754,486
Inventories	-	50,019	50,019	39,478
Total current assets	66,555,823	660,749	67,216,572	38,995,866
NONCURRENT ASSETS				
Capital assets, net	68,657,464	221,380	68,878,844	55,466,831
Total assets	135,213,287	882,129	136,095,416	94,462,697
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	11,404,884	-	11,404,884	13,120,203
Deferred charges OPEB - single employer	229,177	-	229,177	232,254
Deferred charges on proportionate share of OPEB - PSERS	452,382	-	452,382	382,902
Accumulated decrease in fair value of hedging derivatives	11,246,594	-	11,246,594	9,370,353
Deferred amounts on debt refunding	-	-	-	79,605
Total deferred outflows of resources	23,333,037	-	23,333,037	23,185,317
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	5,056,890	2,119	5,059,009	2,813,745
Accrued salaries, payroll withholdings and benefits	6,891,988	18,150	6,910,138	6,879,151
Accrued interest payable	716,445	-	716,445	53,757
Grants received in advance	129,760	-	129,760	88,776
Unearned revenue	187,723	80,537	268,260	195,697
Total current liabilities	12,982,806	100,806	13,083,612	10,031,126
NONCURRENT LIABILITIES				
Due within one year	3,210,784	-	3,210,784	5,410,750
Due in more than one year	165,438,289	-	165,438,289	123,527,186
Total noncurrent liabilities	168,649,073	-	168,649,073	128,937,936
Total liabilities	181,631,879	100,806	181,732,685	138,969,062
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	5,226,000	-	5,226,000	5,027,000
Deferred credits OPEB - single employer	660,871	-	660,871	647,213
Deferred credits on proportionate share of OPEB - PSERS	134,000	-	134,000	158,000
Total deferred inflows of resources	6,020,871	-	6,020,871	5,832,213
NET POSITION (DEFICIT)				
Net investment in capital assets	43,562,309	221,380	43,783,689	45,565,619
Restricted	3,841,732	-	3,841,732	4,791,848
Unrestricted (deficit)	(76,510,467)	559,943	(75,950,524)	(77,510,728)
Total net position (deficit)	\$ (29,106,426)	\$ 781,323	\$ (28,325,103)	\$ (27,153,261)

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2020 with summarized comparative totals for 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2020	2019
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 46,691,188	\$ 157,233	\$ 9,996,476	\$ -	\$ (36,537,479)	\$ -	\$ (36,537,479)	\$ (36,260,804)
Instructional student support	5,823,205	-	631,368	-	(5,191,837)	-	(5,191,837)	(5,066,387)
Administrative and financial support services	5,445,803	-	414,416	-	(5,031,387)	-	(5,031,387)	(4,539,459)
Operation and maintenance of plant services	4,645,251	27,861	155,385	-	(4,462,005)	-	(4,462,005)	(4,456,379)
Pupil transportation	2,326,834	-	1,004,274	-	(1,322,560)	-	(1,322,560)	(1,898,396)
Student activities	1,497,536	132,833	145,897	-	(1,218,806)	-	(1,218,806)	(1,121,293)
Community services	11,889	-	-	-	(11,889)	-	(11,889)	(18,258)
Interest, swap termination fees and amortization expense related to noncurrent liabilities	6,884,091	-	460,127	-	(6,423,964)	-	(6,423,964)	637,473
Total governmental activities	73,325,797	317,927	12,807,943	-	(60,199,927)	-	(60,199,927)	(52,723,503)
BUSINESS-TYPE ACTIVITIES								
Food service	1,613,007	501,580	1,274,415	-	-	162,988	162,988	71,836
Total primary government	\$ 74,938,804	\$ 819,507	\$ 14,082,358	\$ -	(60,199,927)	162,988	(60,036,939)	(52,651,667)
GENERAL REVENUES								
Property taxes levied for general purposes					46,215,256	-	46,215,256	45,245,600
Earned income taxes levied for general purposes					4,607,016	-	4,607,016	4,714,357
Other taxes					1,326,893	-	1,326,893	1,381,798
Grants and entitlements not restricted to specific programs					5,494,873	-	5,494,873	5,204,566
Investment earnings					1,214,961	6,098	1,221,059	936,991
TRANSFERS					(53,210)	53,210	-	-
Total general revenues and transfers					58,805,789	59,308	58,865,097	57,483,312
CHANGE IN NET POSITION (DEFICIT)					(1,394,138)	222,296	(1,171,842)	4,831,645
NET POSITION (DEFICIT)								
Beginning of year					(27,712,288)	559,027	(27,153,261)	(31,984,906)
End of year					(29,106,426)	781,323	(28,325,103)	(27,153,261)

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020 with summarized comparative totals for 2019

	Major Funds				Totals	
	General	Capital	Debt	Nonmajor	2020	2019
	Fund	Projects	Service	Governmental		
		Fund	Fund	Funds		
ASSETS						
Cash	\$ 6,304,784	\$ 10,877,037	\$ -	\$ 232,323	\$ 17,414,144	\$ 16,044,053
Investments	14,000,000	26,934,870	-	-	40,934,870	14,618,933
Taxes receivable	1,634,056	-	-	-	1,634,056	1,795,604
Due from other funds	55,007	-	13,973	8,460	77,440	1,052,741
Due from other governments	2,879,973	-	-	-	2,879,973	2,947,003
Other receivables	126,024	-	-	-	126,024	210,256
Prepaid items	241,739	1,422,483	-	-	1,664,222	722,543
Total assets	\$ 25,241,583	\$ 39,234,390	\$ 13,973	\$ 240,783	\$ 64,730,729	\$ 37,391,133
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,472,106	\$ 3,273,217	\$ -	\$ 5	\$ 4,745,328	\$ 2,539,429
Due to other funds	570,275	2,376	-	-	572,651	1,166,652
Accrued salaries, payroll withholdings and benefits	6,891,988	-	-	-	6,891,988	6,861,530
Grants received in advance	129,760	-	-	-	129,760	88,776
Unearned revenue	182,673	-	-	5,050	187,723	152,022
Total liabilities	9,246,802	3,275,593	-	5,055	12,527,450	10,808,409
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property and per capita taxes	502,534	-	-	-	502,534	582,327
FUND BALANCES						
Nonspendable						
Prepaid expenses	241,739	1,422,483	-	-	1,664,222	722,543
Restricted for						
Capital projects	-	34,536,314	-	-	34,536,314	11,614,265
Debt service	-	-	13,973	-	13,973	73,973
Committed to						
Retirement rate stabilization	2,690,809	-	-	-	2,690,809	3,190,809
Health savings accounts	425,000	-	-	-	425,000	675,000
Future debt service obligations	1,836,000	-	-	-	1,836,000	1,836,000
Savings from bond refunding to balance 2020-2021 budget	460,997	-	-	-	460,997	-
COVID-19 related expenditures	2,120,588	-	-	-	2,120,588	-
Assigned for						
Assessment appeals and tax increment financing	1,900,000	-	-	-	1,900,000	2,000,000
Athletic facilities improvement	-	-	-	129,737	129,737	148,291
Extra-curricular activities	-	-	-	105,991	105,991	84,916
Unassigned	5,817,114	-	-	-	5,817,114	5,654,600
Total fund balances	15,492,247	35,958,797	13,973	235,728	51,700,745	26,000,397
Total liabilities, deferred inflows of resources fund balances	\$ 25,241,583	\$ 39,234,390	\$ 13,973	\$ 240,783	\$ 64,730,729	\$ 37,391,133

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, 2020

TOTAL GOVERNMENTAL FUND BALANCES	\$ 51,700,745
<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.	68,657,464
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	6,065,572
Deferred outflows created from derivative hedging transactions are not reported as assets and liabilities in the governmental funds balance sheet.	11,246,594
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.	502,534
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).	2,086,183
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(168,649,073)
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>(716,445)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (29,106,426)</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2020 with summarized comparative totals for 2019

	Major Funds			Nonmajor Governmental Funds	Totals	
	General	Capital	Debt		2020	2019
	Fund	Projects Fund	Service Fund			
REVENUES						
Local sources	\$ 53,440,586	\$ 762,841	\$ -	\$ 65,150	\$ 54,268,577	\$ 53,449,565
State sources	15,371,955	-	-	-	15,371,955	15,203,176
Federal sources	2,684,713	-	-	-	2,684,713	2,788,930
Total revenues	<u>71,497,254</u>	<u>762,841</u>	<u>-</u>	<u>65,150</u>	<u>72,325,245</u>	<u>71,441,671</u>
EXPENDITURES						
Current						
Instruction	45,243,763	486,481	-	-	45,730,244	44,925,458
Support services	17,403,940	457,682	87,767	-	17,949,389	18,267,185
Operation of noninstructional services	1,489,611	-	-	62,629	1,552,240	1,504,911
Facilities acquisition, construction and improvement services	3,000	15,802,976	-	-	15,805,976	3,227,480
Debt service	-	976,847	5,508,623	-	6,485,470	5,496,793
Total expenditures	<u>64,140,314</u>	<u>17,723,986</u>	<u>5,596,390</u>	<u>62,629</u>	<u>87,523,319</u>	<u>73,421,827</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,356,940</u>	<u>(16,961,145)</u>	<u>(5,596,390)</u>	<u>2,521</u>	<u>(15,198,074)</u>	<u>(1,980,156)</u>
OTHER FINANCING SOURCES (USES)						
Refund of prior year receipts	(17,666)	-	-	-	(17,666)	(2,063)
Sale of/compensation for capital assets	13,692	-	-	-	13,692	22,967
Issuance of debt	-	38,745,000	-	-	38,745,000	9,695,000
Issuance of debt - refunding	-	-	4,500,000	-	4,500,000	-
Payment of debt - refunding	-	-	(4,738,302)	-	(4,738,302)	-
Bond premiums	-	1,636,358	326,069	-	1,962,427	363,602
Proceeds from extended term financing	-	486,481	-	-	486,481	533,873
Transfers in	-	175,433	5,448,623	-	5,624,056	7,040,276
Transfers out	(5,624,056)	(53,210)	-	-	(5,677,266)	(7,064,926)
Total other financing sources (uses)	<u>(5,628,030)</u>	<u>40,990,062</u>	<u>5,536,390</u>	<u>-</u>	<u>40,898,422</u>	<u>10,588,729</u>
NET CHANGE IN FUND BALANCES	1,728,910	24,028,917	(60,000)	2,521	25,700,348	8,608,573
FUND BALANCES						
Beginning of year	13,763,337	11,929,880	73,973	233,207	26,000,397	17,391,824
End of year	<u>\$ 15,492,247</u>	<u>\$ 35,958,797</u>	<u>\$ 13,973</u>	<u>\$ 235,728</u>	<u>\$ 51,700,745</u>	<u>\$ 26,000,397</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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 25,700,348

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

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 loss on disposal of capital assets in the current period.

Capital outlay expenditures	\$ 16,595,469	
Depreciation expense	(3,256,039)	
Loss on disposal of capital assets	<u>(1,052)</u>	13,338,378

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, 2019	(582,327)	
Deferred inflows of resources June 30, 2020	<u>502,534</u>	(79,793)

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. 61,692

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.

Proceeds from bonds and notes payable	(43,245,000)	
Repayment of bonds and notes payable	4,781,666	
Proceeds from extended term financing	(486,481)	
Repayment of extended term financing	473,326	
Proceeds from bonds premiums	(1,962,427)	
Amortization of discounts, premiums and deferred amounts on refunding	<u>326,136</u>	(40,112,780)

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	(662,688)	
Current year change in compensated absences	(60,985)	
Current year change in accrued retirement bonus	(136,186)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	675,965	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(137,715)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>19,626</u>	(301,983)

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (1,394,138)

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2020 with summarized comparative totals for 2019

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2020</u>	<u>2019</u>
	<u>Fund</u>	<u>Fund</u>		
ASSETS				
CURRENT ASSETS				
Cash	\$ 497,880	\$ 1,613,325	\$ 2,111,205	\$ 1,553,835
Investments	-	-	-	1,000,000
Due from other governments	157,520	-	157,520	23,999
Due from other funds	1,095	546,747	547,842	113,911
Other receivables	6,866	200,246	207,112	8,219
Prepaid expenses	-	37,427	37,427	31,943
Inventories	50,019	-	50,019	39,478
Total current assets	<u>713,380</u>	<u>2,397,745</u>	<u>3,111,125</u>	<u>2,771,385</u>
NONCURRENT ASSETS				
Capital assets, net	221,380	-	221,380	147,745
Total assets	<u>934,760</u>	<u>2,397,745</u>	<u>3,332,505</u>	<u>2,919,130</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	2,119	311,562	313,681	274,316
Due to other funds	52,631	-	52,631	-
Accrued salaries, payroll withholdings and benefits	18,150	-	18,150	17,621
Unearned revenue	80,537	-	80,537	43,675
Total liabilities	<u>153,437</u>	<u>311,562</u>	<u>464,999</u>	<u>335,612</u>
NET POSITION				
Net investment in capital assets	221,380	-	221,380	147,745
Unrestricted	559,943	2,086,183	2,646,126	2,435,773
Total net position	<u>\$ 781,323</u>	<u>\$ 2,086,183</u>	<u>\$ 2,867,506</u>	<u>\$ 2,583,518</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2020 with summarized comparative totals for 2019

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Service Fund</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES				
Charges for services	\$ 501,580	\$ 5,811,794	\$ 6,313,374	\$ 5,931,007
OPERATING EXPENSES				
Salaries	122,962	-	122,962	116,842
Employee benefits	66,085	5,003,292	5,069,377	4,674,285
Purchased services - food service management	571,487	-	571,487	711,333
Purchased professional and technical services	2,565	775,453	778,018	460,339
Purchased property services	25,875	-	25,875	21,317
Other purchased services	7,346	-	7,346	6,801
Supplies	789,997	-	789,997	926,711
Depreciation	25,756	-	25,756	24,234
Other	934	-	934	1,645
Total operating expenses	<u>1,613,007</u>	<u>5,778,745</u>	<u>7,391,752</u>	<u>6,943,507</u>
Operating income (loss)	<u>(1,111,427)</u>	<u>33,049</u>	<u>(1,078,378)</u>	<u>(1,012,500)</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	6,098	28,643	34,741	49,105
State sources	84,752	-	84,752	85,017
Federal sources	1,189,663	-	1,189,663	1,164,937
Total nonoperating revenues (expenses)	<u>1,280,513</u>	<u>28,643</u>	<u>1,309,156</u>	<u>1,299,059</u>
Change in net position before transfers	169,086	61,692	230,778	286,559
Transfers in	<u>53,210</u>	<u>-</u>	<u>53,210</u>	<u>24,650</u>
CHANGE IN NET POSITION	222,296	61,692	283,988	311,209
NET POSITION				
Beginning of year	<u>559,027</u>	<u>2,024,491</u>	<u>2,583,518</u>	<u>2,272,309</u>
End of year	<u>\$ 781,323</u>	<u>\$ 2,086,183</u>	<u>\$ 2,867,506</u>	<u>\$ 2,583,518</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2020 with summarized comparative totals for 2019

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2020</u>	<u>2019</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 536,107	\$ -	\$ 536,107	\$ 706,900
Cash received from assessments made to other funds	-	5,178,194	5,178,194	5,642,998
Cash payments to employees for services	(188,518)	-	(188,518)	(176,709)
Cash payments for insurance claims	-	(4,968,781)	(4,968,781)	(4,837,973)
Cash payments to suppliers for goods and services	(1,227,790)	-	(1,227,790)	(1,785,400)
Cash payments for other operating expenses	-	(775,453)	(775,453)	(456,394)
Net cash used for operating activities	<u>(880,201)</u>	<u>(566,040)</u>	<u>(1,446,241)</u>	<u>(906,578)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	80,135	-	80,135	69,044
Federal sources	934,916	-	934,916	1,166,004
Transfers in	-	-	-	24,650
Net cash provided by noncapital financing activities	<u>1,015,051</u>	<u>-</u>	<u>1,015,051</u>	<u>1,259,698</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(46,181)	-	(46,181)	(24,863)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	6,098	28,643	34,741	49,105
Sale (purchase) of investments	-	1,000,000	1,000,000	(1,000,000)
Net cash provided by (used for) investing activities	<u>6,098</u>	<u>1,028,643</u>	<u>1,034,741</u>	<u>(950,895)</u>
Net increase (decrease) in cash	94,767	462,603	557,370	(622,638)
CASH				
Beginning of year	403,113	1,150,722	1,553,835	2,176,473
End of year	<u>\$ 497,880</u>	<u>\$ 1,613,325</u>	<u>\$ 2,111,205</u>	<u>\$ 1,553,835</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,111,427)	\$ 33,049	\$ (1,078,378)	\$ (1,012,500)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	25,756	-	25,756	24,234
Donated commodities used	125,842	-	125,842	133,568
(Increase) decrease in				
Due from other funds	(1,095)	(437,042)	(438,137)	405,774
Other receivables	(2,335)	(196,558)	(198,893)	15,066
Prepaid expenses	115	(5,598)	(5,483)	(3,965)
Inventories	(10,541)	-	(10,541)	3,680
Increase (decrease) in				
Accounts payable	(744)	40,109	39,365	(236,545)
Due to other funds	56,837	-	56,837	(231,094)
Accrued salaries, payroll withholdings and benefits	529	-	529	1,359
Unearned revenue	36,862	-	36,862	(6,155)
Net cash provided by (used for) operating activities	<u>\$ (880,201)</u>	<u>\$ (566,040)</u>	<u>\$ (1,446,241)</u>	<u>\$ (906,578)</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 125,842	\$ -	\$ 125,842	\$ 133,568
Noncash capital and related financing activity				
Capital contribution	\$ 53,210	\$ -	\$ 53,210	\$ -

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2020

	<u>Private- Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash	\$ 201,163	\$ 160,036
Other receivables	-	11,088
Total assets	<u>201,163</u>	<u>\$ 171,124</u>
LIABILITIES		
Accounts payable	-	-
Due to student groups	-	171,124
Total liabilities	<u>-</u>	<u>\$ 171,124</u>
NET POSITION		
Net position held in trust for scholarships	<u>\$ 201,163</u>	

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	Private-Purpose Trust Fund	
	<u>2020</u>	<u>2019</u>
ADDITIONS		
Local contributions	\$ 30,741	\$ 22,751
DEDUCTIONS		
Scholarships awarded and fees paid	<u>27,829</u>	<u>10,250</u>
CHANGE IN NET POSITION	2,912	12,501
NET POSITION		
Beginning of year	<u>198,251</u>	<u>185,750</u>
End of year	<u>\$ 201,163</u>	<u>\$ 198,251</u>

See accompanying notes

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Conestoga Valley School District (the "***District***") operates four elementary schools, one middle school and a high school and an online 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 third class. The District operates under a locally elected nine-member board form of government (the "***School Board***").

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

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of 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, 2020

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 and Extra-Curricular 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, 2020

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 account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. 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. The agency fund accounts for funds held on behalf of the students in the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

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

Investments

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

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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:

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 2019-2020 was 13.794 mills (\$13.794 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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Unearned Revenues

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

Prepaid Items and Inventories

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

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

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 \$4,000 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, 2020.

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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Fund Equity

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

Non-spendable

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

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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2019, from which the summarized information was derived.

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.

New Accounting Pronouncements

GASB Statement No. 84, "*Fiduciary Activities*" will be effective for the District for the year ended June 30, 2021. The objective GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

GASB Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61", will be effective for the District for the year ended June 30, 2021. The primary objects of GASB Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, 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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020, the carrying amount of the District's deposits was \$19,886,545 and the bank balance was \$19,990,358. 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, \$250,000 was covered by federal depository insurance and \$397,385 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, 2020, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

Investments

At June 30, 2020, 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	\$ 976,000	\$ 976,000	\$ -	\$ -	\$ -
investment pools	14,000,000	14,000,000	-	-	-
U.S. Treasury strips	<u>25,958,870</u>	<u>21,782,961</u>	<u>4,175,909</u>	<u>-</u>	<u>-</u>
	<u>\$40,934,870</u>	<u>\$36,758,961</u>	<u>\$4,175,909</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, 2020.

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.

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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 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	\$ 2,167,701	\$ 139,204	\$ -	\$ 2,306,905
Construction in progress	<u>3,356,678</u>	<u>14,294,133</u>	<u>40,452</u>	<u>17,610,359</u>
Total capital assets not being depreciated	<u>5,524,379</u>	<u>14,433,337</u>	<u>40,452</u>	<u>19,917,264</u>
Capital assets being depreciated				
Site improvements	2,318,878	-	-	2,318,878
Buildings and improvements	94,897,400	1,343,000	-	96,240,400
Furniture and equipment	<u>9,031,998</u>	<u>859,584</u>	<u>189,487</u>	<u>9,702,095</u>
Total capital assets being depreciated	<u>106,248,276</u>	<u>2,202,584</u>	<u>189,487</u>	<u>108,261,373</u>
Less accumulated depreciation for				
Site improvements	(1,890,568)	(38,564)	-	(1,929,132)
Buildings and improvements	(48,956,075)	(2,115,452)	-	(51,071,527)
Furniture and equipment	<u>(5,606,926)</u>	<u>(1,102,023)</u>	<u>(188,435)</u>	<u>(6,520,514)</u>
Total accumulated depreciation	<u>(56,453,569)</u>	<u>(3,256,039)</u>	<u>(188,435)</u>	<u>(59,521,173)</u>
Total capital assets being depreciated, net	<u>49,794,707</u>	<u>(1,053,454)</u>	<u>1,052</u>	<u>48,740,201</u>
Governmental activities, net	<u>\$ 55,319,086</u>	<u>\$13,379,882</u>	<u>\$ 41,504</u>	<u>\$ 68,657,464</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 53,210	\$ -	\$ 53,210
Capital assets being depreciated				
Machinery and equipment	1,125,115	46,181	14,814	1,156,482
Less accumulated depreciation	<u>(977,370)</u>	<u>(25,756)</u>	<u>(14,814)</u>	<u>(988,312)</u>
Total business-type capital assets being depreciated, net	<u>147,745</u>	<u>20,425</u>	<u>-</u>	<u>168,170</u>
Business-type activities, net	<u>\$ 147,745</u>	<u>\$ 73,635</u>	<u>\$ -</u>	<u>\$ 221,380</u>

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

Governmental activities	
Instruction	\$2,465,543
Instructional student support	76,992
Administrative and financial support services	173,308
Operation and maintenance of plant services	445,193
Pupil transportation	15,143
Student activities	<u>79,860</u>
Total depreciation expense – governmental activities	<u>\$3,256,039</u>
Business-type activities	
Food service	<u>\$ 25,756</u>

As of June 30, 2020, the District had outstanding construction projects to be completed. The amounts remaining for the Brownstown Elementary School renovation project was \$2,564,294 and for the new Gerald G. Huesken middle school was \$31,841,748.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Debt Service Fund	\$ 13,973	General Fund	\$ 13,973
Food Service Fund	1,095	General Fund	1,095
Internal Service Fund	546,747	General Fund	546,747
General Fund	2,376	Capital Projects Fund	2,376
General Fund	52,631	Food Service Fund	52,631
Nonmajor Governmental Funds	<u>8,460</u>	General Fund	<u>8,460</u>
	<u>\$ 625,282</u>		<u>\$ 625,282</u>

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, 2020 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$ 175,433	General Fund	\$ 175,433
Debt Service Fund	5,448,623	General Fund	5,448,623
Food Service Fund	<u>53,210</u>	Capital Projects Fund	<u>53,210</u>
	<u>\$5,677,266</u>		<u>\$5,677,266</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, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 15,570,000	\$38,745,000	\$4,710,000	\$ 49,605,000	\$2,575,000
Notes payable	300,007	4,500,000	71,666	4,728,341	71,666
Bond premiums	<u>575,204</u>	<u>1,962,427</u>	<u>405,741</u>	<u>2,131,890</u>	<u>182,410</u>
Total general obligation debt	<u>16,445,211</u>	<u>45,207,427</u>	<u>5,187,407</u>	<u>56,465,231</u>	<u>2,829,076</u>
Other noncurrent liabilities					
Capital leases payable	747,611	486,481	473,326	760,766	381,708
Compensated absences	594,160	69,623	8,638	655,145	-
Accrued retirement bonuses	482,470	136,186	-	618,656	-
OPEB liability	2,821,360	281,541	160,561	2,942,340	-
Net OPEB liability - PSERS	4,099,010	73,854	-	4,172,864	-
Net pension liability – PSERS	94,377,761	-	2,590,284	91,787,477	-
Derivative instrument liability interest rate swap	<u>9,370,353</u>	<u>1,876,241</u>	<u>-</u>	<u>11,246,594</u>	<u>-</u>
Total other noncurrent liabilities	<u>112,492,725</u>	<u>2,923,926</u>	<u>3,232,809</u>	<u>112,183,842</u>	<u>381,708</u>
Total noncurrent liabilities	<u>\$128,937,936</u>	<u>\$48,131,353</u>	<u>\$8,420,216</u>	<u>\$168,649,073</u>	<u>\$3,210,784</u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2014	0.40% - 2.00%	\$ 3,605,000	04/01/2021	\$ 1,180,000
Series of 2018	2.00% - 4.00%	\$ 9,695,000	02/01/2024	9,685,000
Series of 2019	1.20% - 4.00%	\$38,745,000	02/01/2044	<u>38,740,000</u>
Total general obligation bonds				<u>49,605,000</u>
General obligation notes				
Series of 2008	3.77% - 6.00%	\$ 1,000,000	08/21/2023	233,341
Series of 2019A	2.00%	\$ 2,365,000	01/15/2025	2,365,000
Series of 2019B	1.15% - 4.00%	\$ 2,135,000	04/01/2026	<u>2,130,000</u>
Total general obligation notes				<u>4,728,341</u>
Total general obligation debt				<u>\$54,333,341</u>

General Obligation Bonds, Series of 2019

On August 22, 2019, the District issued \$38,745,000 of general obligation bonds, Series of 2019, the proceeds from which are to be used to finance various capital projects and to pay for the costs of issuance.

General Obligation Notes, Series of 2019A and B

On September 13, 2019, the District issued \$4,500,000 of general obligation notes, \$2,365,000 Series of 2019 A and \$2,135,000 Series of 2019B. The proceeds of these notes were used to refund and restructure general obligation bonds, Series of 2012 and 2014. The District refunded the general obligation bonds to reduce future debt service payments by \$30,644.

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>
2021	\$ 2,646,666	\$ 1,764,912	\$ 4,411,578
2022	2,721,666	1,718,551	4,440,217
2023	2,831,666	1,602,578	4,434,244
2024	2,938,343	1,498,740	4,437,083
2025	3,455,000	1,388,828	4,843,828
2026-2030	7,720,000	5,963,280	13,683,280
2031-2035	9,910,000	4,285,650	14,195,650
2036-2044	<u>22,110,000</u>	<u>3,447,000</u>	<u>25,557,000</u>
	<u>\$54,333,341</u>	<u>\$21,669,539</u>	<u>\$76,002,880</u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(8) CAPITAL LEASES

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2020 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$381,708	\$27,297	\$409,005
2022	255,345	14,259	269,604
2023	<u>123,713</u>	<u>4,498</u>	<u>128,211</u>
	<u>\$760,766</u>	<u>\$46,054</u>	<u>\$806,820</u>

(9) 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.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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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

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.43% 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 \$9,228,884 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$91,787,477 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2018 to June 30, 2019. The 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, 2019, the District's proportion was 0.1962 percent, which was an decrease of 0.0004 percent from its proportion measured as of June 30, 2018. As of June 30, 2020, 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, 2020, the District recognized pension expense of \$8,563,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CONESTOGA VALLEY SCHOOL DISTRICT

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 505,000	\$3,042,000
Changes in assumptions	877,000	-
Difference between expected and actual investment earnings	-	263,000
Changes in proportions	794,000	1,921,000
Contributions subsequent to the measurement date	<u>9,228,884</u>	<u>-</u>
	<u>\$11,404,884</u>	<u>\$5,226,000</u>

\$9,228,884 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, 2020. 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:

2020	\$ (972,000)
2021	(1,270,000)
2023	(970,000)
2024	<u>162,000</u>
	<u>\$ (3,050,000)</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were 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.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.00 %	5.60%
Fixed income	36.00 %	1.90%
Commodities	8.00 %	2.70%
Absolute return	10.00 %	3.40%
Risk parity	10.00 %	4.10%
Infrastructure/MLPs	8.00 %	5.50%
Real estate	10.00 %	4.10%
Alternative investments	15.00 %	7.40%
Cash	3.00 %	0.30%
Financing (LIBOR)	<u>(20.00)%</u>	0.70%
	<u>100.0 %</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, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current Discount Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	<u>\$114,331,385</u>	<u>\$91,787,477</u>	<u>\$72,698,323</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.

(10) 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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2018:

Active employees	360
Retirees and beneficiaries currently receiving benefits	22
Terminated OPEB plan members entitled to but not yet receiving benefits	<u>-</u>
Total	<u>382</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, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, and by rolling forward the liabilities from the July 1, 2018 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 \$2,942,340, all of which is unfunded. As of June 30, 2020, 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).

The District's change in its OPEB liability for the year ended June 30, 2020 was as follows:

Balances as of July 1, 2018	<u>\$2,821,360</u>
Changes for the year:	
Service cost	193,027
Interest on total OPEB liability	88,514
Changes in assumptions	(79,087)
Benefit payments	<u>(81,474)</u>
Net changes	<u>120,980</u>
Balances as of June 30, 2019	<u>\$2,942,340</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$229,819. At June 30, 2020, 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>
Net difference between projected and actual experience	\$ -	\$417,289
Changes in assumptions	137,073	243,582
Contributions subsequent to the measurement date	<u>92,104</u>	<u>-</u>
	<u>\$229,177</u>	<u>\$660,871</u>

\$92,104 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Year ended June 30:

2021	\$ (51,722)
2022	(51,722)
2023	(51,722)
2024	(51,722)
2025	(51,722)
Thereafter	<u>(265,188)</u>
	<u>\$ (523,798)</u>

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

The following presents the OPEB liability for June 30, 2020, 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>\$2,600,918</u>	<u>\$2,942,340</u>	<u>\$3,344,858</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 3.36%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.36%) or 1 percentage point higher (4.36%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.36%</u>	<u>3.36%</u>	<u>4.36%</u>
OPEB Liability	<u>\$3,153,747</u>	<u>\$2,942,340</u>	<u>\$2,742,020</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2020, was determined by rolling forward the OPEB Liability as of July 1, 2018 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 2.98% - Standard and Poors 20 year municipal bond rate. The discount rate changed from 2.98% to 3.36%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.00% in 2018 and 5.50% in 2019 through 2021.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

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.

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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.

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

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

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.83% 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 \$232,382 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$4,172,864 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019. 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, 2019, the District's proportion was 0.1962 percent, which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2018. As of June 30, 2020, 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, 2020, the District recognized OPEB expense of \$213,000. At June 30, 2020, 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>
Net difference between projected and actual experience	\$ 23,000	\$ -
Changes in assumptions	138,000	124,000
Difference between expected and actual investment earnings	7,000	-
Changes in proportions	52,000	10,000
Contributions subsequent to the measurement date	<u>232,382</u>	<u>-</u>
	<u>\$452,382</u>	<u>\$134,000</u>

CONESTOGA VALLEY SCHOOL DISTRICT

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\$232,382 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, 2020. 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:

2020	\$ 9,000
2021	9,000
2022	8,000
2023	7,000
2024	39,000
Thereafter	<u>14,000</u>
	<u>\$86,000</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.79% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were 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.

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, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period June 30, 2015.

The following assumptions were used to determine the contribution rate:

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

Investments consist primarily of short term assets designed to protect the principal of the 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.

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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	13.20%	0.20%
US core fixed income	83.10%	1.00%
Fixed income	<u>3.70%</u>	0.00%
	<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, 2019.

Discount Rate

The discount rate used to measure the OPEB liability was 2.79%. 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 2.79% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2019, 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, 2019, 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, 2019, 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>\$4,172,222</u>	<u>\$4,172,864</u>	<u>\$4,173,382</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 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

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	<u>1% Decrease</u> <u>1.79%</u>	<u>Current Discount Rate</u> <u>2.79%</u>	<u>1% Increase</u> <u>3.79%</u>
District's proportionate share of the net OPEB liability	<u>\$4,753,800</u>	<u>\$4,172,864</u>	<u>\$3,691,413</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.

(11) DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

On June 19, 2017, the District incurred up to \$115,000,000 of general obligation bonds (the "**bonds**") by approving a forward bond sale resolution (the "**bond resolution**"), establishing the maximum aggregate and annual principal payments and interest rates. The bond resolution authorizes the future issuance of the bonds, in one or more series, to finance the District's various future capital projects. The District issued \$38,745,000 in August of 2019 (the "**2019 bonds**") and plan on issuing approximately \$40,000,000 in August of 2020 (the "**2020 bonds**").

On April 25, 2018, the District executed two cash settled forward interest rate swaps designed to manage interest rate risk and cost and are intended to hedge interest rates on the future issuance of the 2019 bonds and 2020 bonds. The first swap (the "**2019 swap**") is intended to hedge interest rates on the 2019 bonds. The second swap (the "**2020 swap**") is intended to hedge interest rates on the 2020 bonds. Collectively, the 2019 swap and the 2020 swap will be referred to as the "swaps". The swaps have a combined notional amount of \$80,000,000. The District executed the swaps with the Royal Bank of Canada (the "counterparty").

The swaps each have a mandatory early termination on their respective effective dates and therefore there will be no exchange of periodic scheduled payments between the District and counterparty. The only payment to be made will be a termination payment either made by the District or the counterparty on the date of termination. The hedging concept of the swaps is that if future swap rates are higher than the executed swap rate, the District would receive a termination payment from the counterparty and use that receipt to reduce the amount of the bonds needed to be issued, thereby helping to offset the higher bond rates. If future swap rates are lower than the executed swap rate, the District would make a termination payment to the counterparty from District cash of non-Pennsylvania Debt Act financing that was previously intended for the project and then issues bonds in a lower interest rate environment.

Hedging derivatives instruments are used to reduce financial risks, such as offsetting increases in interest rate costs of the hedged item. These derivative instruments are evaluated to determine if they are effective in significantly reducing the identified financial risk at year end. If the derivative is determined to be an effective hedge, its fair value is an asset or liability with a corresponding offset to deferred outflows or inflows of resources on the statement of net position. Deferred outflows or inflows of resources constitute changes in fair values of effectively-hedged derivative instruments. If the derivative instruments are determined to be ineffective, they are considered investment derivatives in which their fair values are recognized against investment income in the statement of activities.

The 2019 swap had a beginning notional amount of \$40,000,000 and was structured to correspond with the amortization of the 2019 bonds. The 2019 swap had a mandatory termination on its effective date, the same date that payments would otherwise commence, which was August 1, 2019. The terms of the 2019 swap were such that the District is the payer of a fixed rate of 2.577% and the counterparty is payer of variable rates equal to 80% of 3-month LIBOR. The District paid a swap termination fee of \$5,364,000 on its effective date of August 1, 2019.

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June 30, 2020

The 2020 swap has a beginning notional amount of \$40,000,000 and is structured to correspond with the amortization of the 2020 bonds. The 2020 swap has a mandatory termination on its effective date, the same date that payments would otherwise commence, which is August 1, 2021. The terms of the 2020 swap are such that the District is the payer of a fixed rate of 2.587% and the counterparty is payer of variable rates equal to 80% of 3-month LIBOR. At June 30, 2020, the 2020 swap had a negative fair value of \$11,246,594.

The District utilized a regression method analysis to evaluate the hedge effectiveness for their swap portfolio. This method evaluates effectiveness by measuring the statistical relationship between the fair value or cash flows of the swaps and the item it is hedged against.

The fair value of the swaps were derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. The swaps were valued based upon Level 2 inputs.

Credit Risk

As of June 30, 2020, the District was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2 by Moody's, AA by Fitch Ratings and AA- by Standard & Poor's as of June 30, 2020.

Interest Rate Risk

The District is exposed to interest rate risk on its swaps. On the District's swaps, as the London Inter-Bank Offered Rate (LIBOR) decreases, the District's termination payment on the swap increases.

Basis Risk

The District is exposed to basis risk in that the long-term bond rates that the District would issue on the bonds could increase relative to LIBOR swap rates causing a termination payment be owed by the District.

Termination Risk

The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination, if the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

(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 2019-2020 was \$978,031.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 2019-2020 was \$117,168.

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.

2021	\$ 113,878
2022	113,780
2023	113,336
2024	112,862
2025	113,157
2026-2030	562,717
2031-2035	555,200
2036-2037	<u>221,429</u>
	<u>\$1,906,357</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.

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 2019-2020, the District contracted with the LLIU for special education services which totaled \$2,726,089.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 2019-2020, 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 2019-2020, the District contracted with the Bureau for tax collection services which totaled \$105,160.

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 2019-2020, the District's portion of operating expenditures for the Academy totaled \$53,350.

(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.

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 \$175,000 per individual and \$5,836,518 in total for self-insurance medical claims for the year ended June 30, 2020.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2020 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Insurance claims liability – beginning of year	\$ 271,453	\$ 492,516
Current year insurance claims and changes in estimates	5,811,794	5,235,071
Insurance claims paid	<u>(5,771,685)</u>	<u>(5,456,134)</u>
Insurance claims liability – end of year	<u>\$ 311,562</u>	<u>\$ 271,453</u>

Property and Liability

The District and 19 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, 2020, the District is not aware of any additional assessments relating to the Pool.

Workers' Compensation

The District and 19 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, 2020, the District is not aware of any additional assessments relating to this Fund.

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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(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 2019-2020, the District paid the Authority \$94,699 under the TIF agreement.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 19, 2020, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 53,554,924	\$ 53,554,924	\$ 53,440,586	\$ (114,338)
State sources	15,504,779	15,504,779	15,371,955	(132,824)
Federal sources	2,795,511	2,795,511	2,684,713	(110,798)
Total revenues	<u>71,855,214</u>	<u>71,855,214</u>	<u>71,497,254</u>	<u>(357,960)</u>
EXPENDITURES				
Instruction				
Regular programs	34,020,628	33,740,063	32,697,728	1,042,335
Special programs	10,788,662	10,910,112	10,608,871	301,241
Vocational programs	1,382,986	1,437,986	1,280,467	157,519
Other instructional programs	209,470	189,970	143,785	46,185
Nonpublic school programs	73,735	103,735	91,053	12,682
Pre-kindergarten	425,000	429,000	421,859	7,141
Total instruction	<u>46,900,481</u>	<u>46,810,866</u>	<u>45,243,763</u>	<u>1,567,103</u>
Support services				
Pupil support services	2,607,366	2,650,066	2,583,399	66,667
Instructional staff services	2,742,486	2,646,742	2,529,011	117,731
Administrative services	2,951,923	3,043,932	2,974,016	69,916
Pupil health	671,168	682,018	668,210	13,808
Business services	625,770	696,770	673,063	23,707
Operation and maintenance of plant services	4,499,668	4,439,918	4,172,251	267,667
Student transportation services	2,588,389	2,528,439	2,458,077	70,362
Support services - central	1,515,499	1,469,299	1,302,837	166,462
Other support services	45,000	45,000	43,076	1,924
Total support services	<u>18,247,269</u>	<u>18,202,184</u>	<u>17,403,940</u>	<u>798,244</u>
Operation of noninstructional services				
Student activities	1,229,045	1,373,045	1,477,722	(104,677)
Community services	18,918	28,818	11,889	16,929
Total operation of noninstructional services	<u>1,247,963</u>	<u>1,401,863</u>	<u>1,489,611</u>	<u>(87,748)</u>
Facilities acquisition, construction and improvement services				
	-	3,000	3,000	-
Total expenditures	<u>66,395,713</u>	<u>66,417,913</u>	<u>64,140,314</u>	<u>2,277,599</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>5,459,501</u>	<u>5,437,301</u>	<u>7,356,940</u>	<u>1,919,639</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	(50,000)	(39,700)	(17,666)	22,034
Sale of/compensation for capital assets	20,000	20,000	13,692	(6,308)
Transfers out	(6,256,498)	(6,256,498)	(5,624,056)	632,442
Budgetary reserve	(225,000)	(213,100)	-	213,100
Total other financing sources (uses)	<u>(6,511,498)</u>	<u>(6,489,298)</u>	<u>(5,628,030)</u>	<u>861,268</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,051,997)</u>	<u>\$ (1,051,997)</u>	<u>1,728,910</u>	<u>\$ 2,780,907</u>
FUND BALANCE				
Beginning of year			13,763,337	
End of year			<u>\$ 15,492,247</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>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	0.1962%	0.1966%	0.1932%	0.1934%	0.2134%	0.2137%
District's proportionate share of the net pension liability	\$ 91,787,477	\$ 94,377,761	\$ 95,418,398	\$ 95,843,000	\$ 92,434,000	\$ 84,583,000
District's covered-employee payroll	\$ 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	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	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

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

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 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>\$ 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	\$ 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	32.48%	31.51%	28.73%	24.57%	20.07%	16.53%

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>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 193,027	\$ 234,978	\$ 224,316
Interest on total OPEB liability	88,514	111,769	80,125
Changes of benefit terms	-	(91,206)	-
Differences between projected and actual experience	-	(500,747)	-
Changes of assumptions	(79,087)	(205,304)	178,194
Benefit payments	<u>(81,474)</u>	<u>(139,758)</u>	<u>(140,886)</u>
Net change in total OPEB liability	120,980	(590,268)	341,749
Total OPEB liability, beginning	<u>2,821,360</u>	<u>3,411,628</u>	<u>3,069,879</u>
Total OPEB liability, ending	<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%
Covered payroll	\$ 24,934,528	\$ 24,934,528	\$ 24,178,245
Net OPEB liability as a % of covered payroll	11.80%	11.32%	14.11%

In accordance with GASB Statement No. 75, 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>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.1962%	0.1966%	0.1932%
District's proportionate share of the net OPEB liability	\$ 4,172,864	\$ 4,099,010	\$ 3,936,280
District's covered-employee payroll	\$ 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	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total net OPEB liability	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, 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>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 224,788	\$ 219,649	\$ 168,206
Contributions in relation to the contractually required contribution	<u>\$ 224,788</u>	<u>\$ 219,649</u>	<u>\$ 168,206</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 27,053,732	\$ 26,478,676	\$ 25,722,617
Contributions as a percentage of covered-employee payroll	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, 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, 2020

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 3,827,955	\$ 7,049,082	\$ 10,877,037
Investments	-	26,934,870	26,934,870
Prepaid items	-	1,422,483	1,422,483
Total assets	<u>\$ 3,827,955</u>	<u>\$ 35,406,435</u>	<u>\$ 39,234,390</u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable	\$ -	\$ 3,273,217	\$ 3,273,217
Due to other funds	-	2,376	2,376
Total liabilities	<u>-</u>	<u>3,275,593</u>	<u>3,275,593</u>
FUND BALANCES			
Nonspendable			
Prepaid items	-	1,422,483	1,422,483
Restricted for			
Capital projects	<u>3,827,955</u>	<u>30,708,359</u>	<u>34,536,314</u>
Total fund balances	<u>3,827,955</u>	<u>32,130,842</u>	<u>35,958,797</u>
Total liabilities and fund balances	<u>\$ 3,827,955</u>	<u>\$ 35,406,435</u>	<u>\$ 39,234,390</u>

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2020

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local sources	\$ 50,699	\$ 712,142	\$ 762,841
EXPENDITURES			
Current			
Instruction	486,481	-	486,481
Support services	-	457,682	457,682
Facilities acquisition, construction and improvement services	139,205	15,663,771	15,802,976
Debt service	976,847	-	976,847
Total expenditures	<u>1,602,533</u>	<u>16,121,453</u>	<u>17,723,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,551,834)</u>	<u>(15,409,311)</u>	<u>(16,961,145)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	38,745,000	38,745,000
Bond premiums	-	1,636,358	1,636,358
Proceeds from extended term financing	486,481	-	486,481
Transfers in	175,433	-	175,433
Transfers out	-	(53,210)	(53,210)
Total other financing sources (uses)	<u>661,914</u>	<u>40,328,148</u>	<u>40,990,062</u>
NET CHANGE IN FUND BALANCES	(889,920)	24,918,837	24,028,917
FUND BALANCES			
Beginning of year	<u>4,717,875</u>	<u>7,212,005</u>	<u>11,929,880</u>
End of year	<u>\$ 3,827,955</u>	<u>\$ 32,130,842</u>	<u>\$ 35,958,797</u>

CONESTOGA VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	Athletic Facilities Improvement	Extra- Curricular Fund	Total
ASSETS			
Cash	\$126,331	\$105,992	\$232,323
Due from other funds	<u>8,460</u>	<u>-</u>	<u>8,460</u>
Total assets	<u>\$134,791</u>	<u>\$105,992</u>	<u>\$240,783</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5	\$ -	\$ 5
Deferred revenue	<u>5,050</u>	<u>-</u>	<u>5,050</u>
Total assets	<u>\$ 5,055</u>	<u>\$ -</u>	<u>\$ 5,055</u>
 FUND BALANCES			
Assigned for			
Athletic facilities improvement	129,737		129,737
Extra-curricular activities		<u>105,991</u>	<u>105,991</u>
Total fund balances	<u>129,737</u>	<u>105,991</u>	<u>235,728</u>
Total liabilities and fund balances	<u>\$134,792</u>	<u>\$105,991</u>	<u>\$240,783</u>

CONESTOGA VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2020

	Athletic Facilities Improvement	Extra- Curricular Fund	Total
REVENUES			
Local sources	<u>\$ 44,075</u>	<u>\$ 21,075</u>	<u>\$ 65,150</u>
EXPENDITURES			
Current			
Operation of noninstructional services	<u>62,629</u>	<u>-</u>	<u>62,629</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	<u>(18,554)</u>	<u>21,075</u>	<u>2,521</u>
FUND BALANCES			
Beginning of year	<u>148,291</u>	<u>84,916</u>	<u>233,207</u>
End of year	<u><u>\$ 129,737</u></u>	<u><u>\$ 105,991</u></u>	<u><u>\$ 235,728</u></u>

SINGLE AUDIT

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

-64-

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2019	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2020	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-200096	08/02/19-09/30/21	\$1,419,818	\$ 1,116,130	\$ -	\$ 1,398,902	\$ 1,398,902	\$ 282,772	\$ -
Title I - Improving Basic Programs	I	84.010	013-190096	07/24/18-09/30/20	\$1,496,543	300,532	231,154	59,723	59,723	(9,655)	-
Total CFDA #84.010						1,416,662	231,154	1,458,625	1,458,625	273,117	-
Title II - Improving Teacher Quality	I	84.367	020-200096	08/02/19-09/30/20	205,464	161,173	-	173,724	173,724	12,551	-
Title II - Improving Teacher Quality	I	84.367	020-190096	07/24/19-09/30/20	233,254	46,709	16,131	30,140	30,140	(438)	-
Title II - Improving Teacher Quality	I	84.367	020-180096	08/15/18-09/30/19	240,896	-	(2,188)	2,188	2,188	-	-
Total CFDA #84.367						207,882	13,943	206,052	206,052	12,113	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-200096	08/02/19-09/30/20	42,806	27,518	-	21,149	21,149	(6,369)	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-190096	07/24/19-09/30/20	37,235	9,929	3,160	6,769	6,769	-	-
Total CFDA #84.365						37,447	3,160	27,918	27,918	(6,369)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-200096	08/02/19-09/30/20	112,007	80,005	-	70,055	70,055	(9,950)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-190096	07/24/19-09/30/20	107,153	35,718	33,605	2,113	2,113	-	-
Total CFDA #84.424						115,723	33,605	72,168	72,168	(9,950)	-
Passed Through the Lancaster-Lebanon I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-200013	07/01/19-09/30/20	731,987	219,812	-	731,987	731,987	512,175	-
I.D.E.A. - Part B, Section 611	I	84.027	062-190013	07/01/18-09/30/19	772,826	553,203	553,203	-	-	-	-
Total CFDA #84.027						773,015	553,203	731,987	731,987	512,175	-
I.D.E.A. - Part B, Section 619	I	84.173	131-190013	07/01/19-06/30/20	4,301	-	-	4,301	4,301	4,301	-
I.D.E.A. - Part B, Section 619	I	84.173	131-180013	07/01/18-06/30/19	5,012	5,012	5,012	-	-	-	-
Total CFDA #84.173						5,012	5,012	4,301	4,301	4,301	-
Total U.S. Department of Education						2,555,741	840,077	2,501,051	2,501,051	785,387	-

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA 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, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Commerce</u>											
<u>Passed-Through the Chesapeake Bay Trust</u>											
Chesapeake Bay Studies	I	11.457	N/A	09/24/19-06/30/21	100,000	90,000	-	48,725	48,725	(41,275)	-
<u>U.S. Department of the Treasury</u>											
<u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u>											
COVID-19 Relief Fund	I	21.019	N/A	03/01/20-10/30/20	285,921	-	-	81,609	81,609	81,609	-
<u>U.S. Department of Health and Human Services</u>											
<u>Passed Through the Pennsylvania Department of Public Welfare</u>											
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	N/A	1,469	-	4,168	4,168	2,699	-
Medical Assistance Program	I	93.778	N/A	07/01/18-06/30/19	N/A	1,937	1,937	-	-	-	-
						3,406	1,937	4,168	4,168	2,699	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	231,804	-	242,142	242,142	10,338	-
Total CFDA #10.553						231,804	-	242,142	242,142	10,338.00	-
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	703,112	-	821,679	821,679	118,567	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	a) 134,357	b) (15,121)	c) 125,842	125,842	d) (23,636)	-
Total CFDA #10.555						837,469	(15,121)	947,521	947,521	94,931	-
Total U.S. Department of Agriculture						1,069,273	(15,121)	1,189,663	1,189,663	105,269	-
Total Federal Awards						\$ 3,718,420	\$ 826,893	\$ 3,825,216	\$ 3,825,216	\$ 933,689	\$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 778,027	\$ 558,215	\$ 736,288	\$ 736,288	\$ 516,476	\$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 1,069,273	\$ (15,121)	\$ 1,189,663	\$ 1,189,663	\$ 105,269	\$ -

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA 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, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
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Footnotes

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

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Funding
- CFDA - Catalog of Federal Domestic Assistance

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

(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 CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2019-2020 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, 2020 was \$49,160.

(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, 2020.

CONESTOGA VALLEY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2020

There were no audit findings for the year ended June 30, 2019.



**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, 2020, 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 October 19, 2020.

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 may exist that have not been 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
October 19, 2020**



**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

We have audited Conestoga Valley School District's compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control over Compliance

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

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
October 19, 2020**

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

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 program tested as a major program was:

Title I – CFDA Number 84.010
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>
2010-2011	2,670,010,700	13.7730	36,774,057	702,827	36,071,230	34,790,408	96.45%	764,502	35,554,910	98.57%
2011-2012	2,695,981,800	14.0480	37,873,152	701,556	37,171,596	35,955,120	96.73%	729,237	36,684,357	98.69%
2012-2013	2,686,564,500	14.2865	38,381,604	701,124	37,680,480	36,456,439	96.75%	704,980	37,161,419	98.62%
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%	576,130	45,939,772	98.16%
2020-2021	3,467,515,900	14.1526	49,074,366	710,016	48,364,350	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>2010-2011 School District</u>	<u>2010 Municipal</u>	<u>2010 County</u>
East Lampeter Township	13.7730	1.462	3.416
Upper Leacock Township	13.7730	1.300	3.416
West Earl Township	13.7730	1.390	3.416

<u>Municipality</u>	<u>2011-2012 School District</u>	<u>2011 Municipal</u>	<u>2011 County</u>
East Lampeter Township	14.0480	1.462	3.416
Upper Leacock Township	14.0480	1.300	3.416
West Earl Township	14.0480	1.390	3.416

<u>Municipality</u>	<u>2012-2013 School District</u>	<u>2012 Municipal</u>	<u>2012 County</u>
East Lampeter Township	14.2865	1.600	3.416
Upper Leacock Township	14.2865	1.500	3.416
West Earl Township	14.2865	1.590	3.416

<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

CONESTOGA VALLEY SCHOOL DISTRICT

REAL ESTATE TAX RATES (Mills) (Continued)

Last ten and current fiscal years ending June 30

<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

<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

CONESTOGA VALLEY SCHOOL DISTRICT

NON-REAL ESTATE TAX RATES

Last ten fiscal years ending June 30

2011 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%

2012 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%

2013 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%

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%

CONESTOGA VALLEY SCHOOL DISTRICT

NON-REAL ESTATE TAX RATES (Continued)

Last ten fiscal years ending June 30

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%

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%

CONESTOGA VALLEY SCHOOL DISTRICT

PRINCIPAL TAXPAYERS

<u>Taxpayer</u>	<u>Assessed Valuation</u>
High Properties	\$ 322,113,500
Dart Container Corporation of PA (1)	54,094,900
Tanger Properties Limited Partnership	38,802,000
TKG Mill Creek Shopping Center	31,833,800
NH Real Estate	31,433,100
Rockvale Group (2)	27,859,800
Calumet Enterprises LLC	15,586,700
East Lampeter Association	15,336,400
Cedar Acres East	15,035,400
Fairmount Homes	<u>14,599,200</u>
	<u>\$ 566,694,800</u>
Total Taxable Assessed Value	<u>\$ 3,467,515,900</u>

10 Largest as a Percentage of Total Assessment 16.34%

Above assessment values are based upon July 1, 2020 values.

(1) On August 10, 2020, High Properties appealed the assessed value of one of their properties with the Lancaster County Assessment Office. The original 2020 assessed value of those properties was \$33,564,100.

(2) On August 10, 2020, Rockvale Group appealed the assessed value of their properties with the Lancaster County Assessment Office. The original 2020 assessed value of those properties was \$27,859,800.

CONESTOGA VALLEY SCHOOL DISTRICT

PROPERTY ASSESSMENT DATA

Last ten fiscal years ending June 30

<u>Calendar</u> <u>Year</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Ratio</u>
2011	2,691,980,100	3,416,218,401	78.80%
2012	2,690,056,700	3,337,539,330	80.60%
2013	2,680,410,700	3,388,635,525	79.10%
2014	2,676,741,600	3,453,860,129	77.50%
2015	2,680,065,800	3,549,756,026	75.50%
2016	2,694,851,500	3,656,514,925	73.70%
2017	2,717,612,600	3,927,185,838	69.20%
2018 *	3,467,500,300	3,467,500,300	100.00%
2019	3,437,429,800	3,967,529,210	86.64%
2020**	3,467,515,900	4,161,019,080	83.33%

Source: *Pennsylvania State Tax Equalization Board*

* Lancaster County underwent a countywide reassessment in 2018.

** 2020 assessed value was obtained from the Lancaster County Assessment Office as it was not available from the Pennsylvania State Tax Equalization Board.

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>
2010-2011	2,124	2,011	4,135
2011-2012	2,174	2,009	4,183
2012-2013	2,225	2,056	4,281
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*	2,093	1,964	4,057

* Projected

Future year enrollment projections are unavailable at this time.