# NORTHERN LEBANON
# SCHOOL DISTRICT
# BASIC FINANCIAL STATEMENTS
# AND
# REQUIRED SUPPLEMENTARY
# INFORMATION

## YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

FINANCIAL SECTION


| | |
|---|---|
| Independent Auditors' Report | 1-3 |
| Management's Discussion and Analysis | 4-14 |


BASIC FINANCIAL STATEMENTS


| | |
|---|---|
| Statement of Net Position | 15-16 |
| Statement of Activities and Changes in Net Position | 17 |
| Balance Sheet – Governmental Funds | 18 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 20 |
| Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities and Changes in Net Position | 21 |
| Statement of Net Position – Proprietary Fund–Food Service | 22 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund–Food Service | 23 |
| Statement of Cash Flows – Proprietary Fund–Food Service | 24 |
| Statement of Fiduciary Net Position – Fiduciary Funds | 25 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 26 |
| Notes to Financial Statements | 27-62 |


REQUIRED SUPPLEMENTARY INFORMATION


| | |
|---|---|
| Budgetary Comparison Schedule – General Fund – Schedule of Revenues and Other Financing Sources | 63-64 |
| Budgetary Comparison Schedule – General Fund – Schedule of Expenditures and Other Financing Uses | 65-68 |
| Schedule of School District's Proportionate Share of the Net Pension Liability Public School Employees' Retirement System – Last 10 Fiscal Years | 69 |
| Schedule of Employer Contributions – Public School Employees' Retirement System – Last 10 Fiscal Years | 70 |
| Schedule of Changes in OPEB Liability – Single Employer Plan | 71 |
| Schedule of District's Proportionate Share of the Net OPEB Liability-PSERS | 72 |
| Schedule of the District's OPEB Plan Contributions –PSERS | 73 |


FEDERAL AWARD PROGRAM INFORMATION


| | |
|---|---|
| Schedule of Expenditures of Federal Awards | 74-75 |
| Notes to Schedule of Expenditures of Federal Awards | 76 |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* | 77-78 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance | 79-81 |
| Schedule of Findings and Questioned Costs | 82-83 |
| Summary Schedule of Prior Audit Findings | 84 |

# Crowley & Halloran, CPAs, P.C.

*Certified Public Accountants, Auditors, and Consultants*
215 Washington Street, Suite 100, Watertown, NY 13601
Phone: (315) 788-3140 Fax: (315) 782-5321
www.crowleyhalloran.com

Michael W. Crowley, CPA*
Pamela J. Halloran, CPA*

* Licensed in NY & PA

Members of:
AICPA
NYSSCPA
Government Audit Quality Center
Employee Benefit Plan Audit Quality Center


## INDEPENDENT AUDITORS' REPORT

To the Board of School Directors
Northern Lebanon School District
Fredericksburg, PA

### Report on the Audit of the Financial Statements

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern Lebanon School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Northern Lebanon School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northern Lebanon School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2022, the Northern Lebanon School District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

## INDEPENDENT AUDITORS' REPORT (Continued)

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northern Lebanon School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Lebanon School District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14, the budgetary comparison schedule – General Fund, the schedule of School District's proportionate share of the net pension liability – public school employees' retirement system, the schedule of employer contributions – public school employees' retirement system, the schedule of changes in OPEB liability – single employer plan, the schedule of District's proportionate share of the net OPEB liability – PSERS, and the schedule of District's OPEB plan contributions – PSERS, on pages 63-73 be presented to supplement the basic financial statements.

## INDEPENDENT AUDITORS' REPORT (Continued)

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

***Supplementary Information***
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northern Lebanon School District's basic financial statements. The schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated October 29, 2022, on our consideration of the Northern Lebanon School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Northern Lebanon School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Lebanon School District's internal control over financial reporting and compliance.

**Crowley & Halloran, CPAs, P.C.**

Pamela Halloran, CPA
By: Pamela J. Halloran, CPA
Watertown, NY
October 29, 2022

This discussion and analysis of the Northern Lebanon School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022.

## Financial Highlights

**District-Wide Statements**: Net position increased $511,799 or 1.52% from a deficit $(33,762,889) to $(33,251,090) after a restatement, of $406,885 for a change in accounting. Capital outlay for the period was $24,111,115 for governmental activities. Total Liabilities increased $52,094,559 or 51.04%. Depreciation and amortization for governmental activities was $3,171,803 and depreciation for business-type activities was $4,800. The District implemented GASB Statement No. 87, *Leases*, which required a restatement of $406,885 decreasing net position and increasing right-to use assets and lease liability. The 2021 balances in this Management's Discussion and Analysis have not been restated to reflect the change.

**Governmental Funds Statements**: The ending fund balance for Governmental Funds increased $13,205,721 or 46.42% up from $28,447,218 to $41,652,939. Governmental Funds revenues were $44,023,953, for an overall increase of $2,537,371. Governmental expenditures increased 22.53% or ($12,685,256), and include $24,111,115 of capital outlay for the on-going capital project.

## Reporting the District as a Whole

### *The Statement of Net Position and Statement of Activities*

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Statement of Activities accounts for all of the current year's revenues and expenses regardless of when cash is received or when expenses are paid.

These government-wide statements report the District's net position and how it has changed. Net position or the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the District's financial health or financial position. But, to assess the overall health of the District, one needs to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

## Entity-Wide Financial Analysis

Total net position increased $511,799 or 1.52% from June 30, 2021 to June 30, 2022 after a decrease of $406,885 for the restatement for GASB Statement No. 87. Total Liabilities increased $52,094,559 or 51.04%, mainly due to a new bond issue in 2022 of $36,000,000, and the lease liability of $14,182,137 for the implementation of the Lease Standard and deferred inflows of resources increased $6,687,547 or 310.88%. Total assets increased by $56,804,379 or 93.42% mainly due to unspent bond proceeds in the cash balance and the net right-to-use asset of $13,461,209. Deferred outflows of resources increased $2,489,526 or 25.81%. Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

Fifty-four percent or $63.9 million of the $117.6 million in total governmental assets is invested in capital assets. The $63.9 million investment in the capital assets is reported without its related debt of $49.3 million. These capital assets are used to provide services and these resources are not available for future spending. Therefore, resources to repay the debt incurred to acquire these assets must be provided from other sources.

Table 1 is a comparative analysis of Net Position for Fiscal Years ending June 30, 2022 and June 30, 2021.

| Table 1<br>Net Position | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
|---|---|---|---|---|---|---|---|---|
| 6/30/2022 | Governmental Activities | Governmental Activities | Business-Type Activities | Business-Type Activities | District-wide Total | District-wide Total | District-wide $ Incr(decr) | District-wide % Incr(decr) |
| Current Assets | $ 53,410,112 | $ 33,249,481 | $ 274,342 | $ 445,944 | $ 53,684,454 | $ 33,695,425 | $ 19,989,029 | 59.32% |
| Noncurrent Assets | 63,901,476 | 27,081,326 | 23,864 | 28,664 | 63,925,340 | 27,109,990 | 36,815,350 | 135.80% |
| Total Assets | $117,311,588 | $ 60,330,807 | $ 298,206 | $ 474,608 | $ 117,609,794 | $ 60,805,415 | $ 56,804,379 | 93.42% |
| Deferred Outflows of Resources | $ 12,135,400 | $ 9,645,874 | $ - | $ - | $ 12,135,400 | $ 9,645,874 | $ 2,489,526 | 25.81% |
| Current Liabilities | $ 15,136,222 | $ 6,064,741 | $ 127,601 | $ 485,760 | $ 15,263,823 | $ 6,550,501 | $ 8,713,322 | 133.02% |
| Noncurrent Liabilities | 138,893,716 | 95,512,479 | - | - | 138,893,716 | 95,512,479 | 43,381,237 | 45.42% |
| Total Liabilities | $154,029,938 | $101,577,220 | $ 127,601 | $ 485,760 | $ 154,157,539 | $102,062,980 | $ 52,094,559 | 51.04% |
| Deferred Inflows of Resources | $ 8,838,745 | $ 2,151,198 | $ - | $ - | $ 8,838,745 | $ 2,151,198 | $ 6,687,547 | 310.88% |
| Net Position | | | | | | | | |
| Net Investment in Capital Assets | $ 14,653,297 | $ 17,232,113 | $ 23,864 | $ 28,664 | $ 14,677,161 | $ 17,260,777 | $ (2,583,616) | -14.97% |
| Restricted | 36,682,642 | 24,196,662 | - | - | 36,682,642 | 24,196,662 | 12,485,980 | 51.60% |
| Unrestricted | (84,757,634) | (75,180,512) | 146,741 | (39,816) | (84,610,893) | (75,220,328) | (9,390,565) | -12.48% |
| Total Net Position | $ (33,421,695) | $ (33,751,737) | $ 170,605 | $ (11,152) | $ (33,251,090) | $ (33,762,889) | $ 511,799 | 1.52% |
| Total Net Position June 30, 2022 | $ (33,421,695) | | $ 170,605 | | $ (33,251,090) | | | |
| Total Net Position June 30, 2021 | $ (33,751,737) | | $ (11,152) | | $ (33,762,889) | | | |
| Restatement - Change in Accounting | (406,885) | | - | | (406,885) | | | |
| Increase(Decrease) in Total Net Position | $ 736,927 | | $ 181,757 | | $ 918,684 | | | |
| | 2.16% | | 1629.82% | | 2.69% | | | |

Total net position increased $511,799 or 1.52%. Restricted net position increased $12,485,980 or 51.60% to $36,682,642. Total Liabilities increased 51.04% in the amount of $52,094,559. Current Liabilities increased $8,713,322 or 133.02% while Noncurrent Liabilities increased 45.42% in the amount of $43,381,237. The District's investment in total assets, net of related debt, decreased ($2,583,616) or (14.97%).

Table 1A
Net Position

| | Net Investment in Capital Assets | Net Position Unrestricted | Net Position Restricted | Total Net Position |
|---|---|---|---|---|
| 2022 District-wide Total | $ 14,677,161 | $ (84,610,893) | $ 36,682,642 | $ (33,251,090) |
| 2021 District-wide Total | 17,260,777 | (75,220,328) | 24,196,662 | (33,762,889) |
| June 30, 2022 Increase(Decrease) | $ (2,583,616) | $ (9,390,565) | $ 12,485,980 | $ 511,799 |
| | -14.97% | -12.48% | 51.60% | 1.52% |

Table 1B
Liabilities

| | Current Liabilities | Noncurrent Liabilities | Total Liabilities |
|---|---|---|---|
| 2022 District-wide Total | $ 15,263,823 | $138,893,716 | $154,157,539 |
| 2021 District-wide Total | 6,550,501 | 95,512,479 | 102,062,980 |
| June 30, 2022 Increase(Decrease) | $ 8,713,322 | $ 43,381,237 | $ 52,094,559 |
| | 133.02% | 45.42% | 51.04% |

Table 1C
Total Assets

| | Current Assets | Noncurrent Assets | Total Assets |
|---|---|---|---|
| 2022 District-wide Total | $ 53,684,454 | $ 63,925,340 | $117,609,794 |
| 2021 District-wide Total | 33,695,425 | 27,109,990 | 60,805,415 |
| June 30, 2022 Increase(Decrease) | $ 19,989,029 | $ 36,815,350 | $ 56,804,379 |
| | 59.32% | 135.80% | 93.42% |

***Governmental Activities***

The Statement of Activities shows the cost of program services. The statement also shows revenues (charges for those services, and grants) that offset the cost of program services. Table 2 lists both total cost of program services, and net cost of program services for the years ending June 30, 2022 and June 30, 2021.

Table 2
Program Expenses
6/30/2022

| | 2022 Total Costs of Services | 2022 Net Costs of Services | 2021 Total Costs of Services | 2021 Net Costs of Services | 2022 Net Costs of Services |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | Increase(Decrease) |
| Instruction | $26,272,354 | $ 18,594,015 | $26,751,871 | $ 19,592,634 | -5.10% |
| Instructional Student Support | 2,525,480 | 2,358,432 | 2,470,655 | 2,318,639 | 1.72% |
| Administration | 4,270,998 | 4,270,998 | 4,200,317 | 4,200,317 | 1.68% |
| Maintenance | 3,144,632 | 3,141,732 | 3,101,479 | 3,096,479 | 1.46% |
| Pupil Transportation | 2,516,983 | 1,110,545 | 2,322,419 | 650,162 | 70.81% |
| Student Activities | 818,447 | 790,988 | 704,635 | 704,635 | 12.25% |
| Community Services | 9,892 | 9,892 | 8,689 | 8,689 | 13.85% |
| Interest and Debt Issuance Costs on Long-Term Debt | 2,443,377 | 2,013,496 | 738,108 | 306,936 | -556.00% |
| Unallocated Depreciation | 1,264,609 | 1,264,609 | 1,114,549 | 1,114,549 | 13.46% |
| Total Governmental Activities | $43,266,772 | $ 33,554,707 | $41,412,722 | $ 31,993,040 | 4.88% |
| Business-Type Activities: | | | | | |
| Food Services | $ 1,248,617 | $ 181,575 | $ 860,925 | $ 105,869 | 71.51% |

Table 2 on the prior page shows a 4.88% overall increase in the net costs of services for Governmental Activities and an increase of 71.51% net costs of services for Food Services. Net costs for the following program expenses changed as follows: Instruction decreased 5.10%, Instructional Student Support increased 1.72%, Administration Services increased 1.68%, and Maintenance increased 1.46%. Pupil Transportation Services increased 70.81%, and Student Activities increased 12.25%, and net costs for Community Services increased by 13.85% from 2021. Unallocated depreciation increased 13.46%. Increases in transportation are related to the allocation of amortization for the right-to-use assets embedded in the transportation contract.

Table 3 is the summary of revenues and costs of program services and the change in Net Position.

Table 3

| Changes in Net Position 6/30/2022 | Governmental Activities | | Business-Type Activities | | District-wide Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Program Revenues | | | | | | |
| Charges for Services | $ 150,136 | $ 65,750 | $ 116,072 | $ 44,273 | $ 266,208 | $ 110,023 |
| Operating Grants and Contributions | 9,132,048 | 8,922,760 | 1,314,120 | 710,783 | 10,446,168 | 9,633,543 |
| Capital grants and Contributions | 429,881 | 431,172 | - | - | 429,881 | 431,172 |
| Total Program Revenues | $ 9,712,065 | $ 9,419,682 | $ 1,430,192 | $ 755,056 | $ 11,142,257 | $ 10,174,738 |
| General Revenues | | | | | | |
| Property Taxes | $ 21,983,862 | $ 20,909,843 | $ - | $ - | $ 21,983,862 | $ 20,909,843 |
| Earned Income and Other Taxes | 3,265,359 | 3,109,246 | - | - | 3,265,359 | 3,109,246 |
| Grants and Entitlements | 8,846,315 | 7,930,556 | - | - | 8,846,315 | 7,930,556 |
| Investment Earnings | 33,920 | 17,842 | 182 | 275 | 34,102 | 18,117 |
| Miscellaneous | 162,178 | 32,610 | - | - | 162,178 | 32,610 |
| Total General Revenues | $ 34,291,634 | $ 32,000,097 | $ 182 | $ 275 | $ 34,291,816 | $ 32,000,372 |
| Total Revenues | $ 44,003,699 | $ 41,419,779 | $ 1,430,374 | $ 755,331 | $ 45,434,073 | $ 42,175,110 |
| Program Services: | | | | | | |
| Instruction | $ 26,272,354 | $ 26,751,871 | $ - | $ - | $ 26,272,354 | $ 26,751,871 |
| Support Services: | | | | | | |
| Instructional Student Support | 2,525,480 | 2,470,655 | - | - | 2,525,480 | 2,470,655 |
| Administration | 4,270,998 | 4,200,317 | - | - | 4,270,998 | 4,200,317 |
| Maintenance | 3,144,632 | 3,101,479 | - | - | 3,144,632 | 3,101,479 |
| Pupil Transportation | 2,516,983 | 2,322,419 | - | - | 2,516,983 | 2,322,419 |
| Student Activities | 818,447 | 704,635 | - | - | 818,447 | 704,635 |
| Community Services | 9,892 | 8,689 | - | - | 9,892 | 8,689 |
| Interest on Long-Term Debt | 2,443,377 | 738,108 | - | - | 2,443,377 | 738,108 |
| Unallocated Depreciation | 1,264,609 | 1,114,549 | - | - | 1,264,609 | 1,114,549 |
| Food Service | - | - | 1,248,617 | 860,925 | 1,248,617 | 860,925 |
| Total Expenses | $ 43,266,772 | $ 41,412,722 | $ 1,248,617 | $ 860,925 | $ 44,515,389 | $ 42,273,647 |
| Excess Revenue or (Expense) | $ 736,927 | $ 7,057 | $ 181,757 | $ (105,594) | $ 918,684 | $ (98,537) |
| Loss on the disposal of assets | - | - | - | - | - | - |
| Transfers | - | (300,000) | - | 300,000 | - | - |
| Change in Net Position | $ 736,927 | $ (292,943) | $ 181,757 | $ 194,406 | $ 918,684 | $ (98,537) |

## Reporting the District's Most Significant Funds

### *Governmental Funds*

The District's fund financial statements provide detailed information about its significant funds rather than the District-as-a-whole. Some funds are required by state law and some by bond requirements.

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

### *Proprietary Funds*

These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides — whether to outside customers or to other units in the District — these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements. In the funds financial statements it is reported in more detail and with additional information, such as cash flows.

### *Fiduciary Funds*

The District acts as agent for various student groups or extra-classroom activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

### *Fund Financial Statements*

The District's governmental funds reported a combined fund balance of $41,652,939; an increase of $13,205,721 or 46.42% from June 30, 2021 to June 30, 2022.

Table 4

| Fund Balance Governmental Funds 6/30/2022 | General Fund | Capital Reserve Fund | Debt Service Fund | Miscellaneous Special Revenue | Total Government Funds |
|---|---|---|---|---|---|
| Fund balance (deficit) June 30, 2021 | $4,750,744 | $ 23,630,466 | $ - | $ 66,008 | $28,447,218 |
| Increase (decrease) June 30, 2022 | 719,741 | 12,484,662 | - | 1,318 | 13,205,721 |
| Fund balance (deficit) June 30, 2022 | $5,470,485 | $ 36,115,128 | $ - | $ 67,326 | $41,652,939 |
| | 15.15% | 52.83% | 0.00% | 2.00% | 46.42% |

The District's financial statements show that +55.27% or $24,621,711 of the District's revenues is derived from local tax revenue. It is important to note the District's heavy reliance on tax revenue.

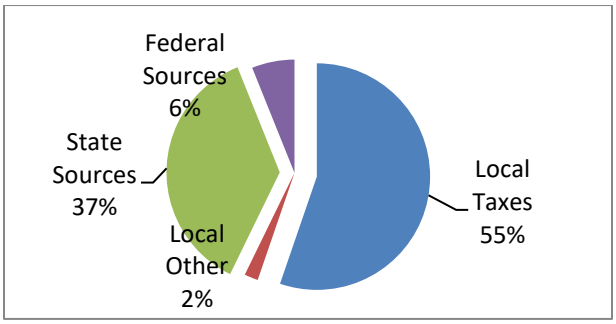



Table 5

| FUND REVENUES 6/30/2022 | | 2022 | 2021 | Increase (Decrease) | Increase (Decrease)% |
|---|---|---|---|---|---|
| Local Taxes | 55.27% | $24,621,711 | $23,438,989 | $ 1,182,722 | 5.05% |
| Local Other | 1.96% | 872,350 | 113,740 | 758,610 | 666.97% |
| State Sources | 36.69% | 16,343,249 | 16,404,071 | (60,822) | -0.37% |
| Federal Sources | 6.09% | 2,712,435 | 1,527,320 | 1,185,115 | 77.59% |
| Total Revenues | 100.00% | $44,549,745 | $41,484,120 | $ 3,065,625 | 7.39% |

***General Fund***

The District's General Fund Balance increased $719,741 or 15.15% to $5,470,485 (Table 4). Tax revenues increased 5.05% or $1,182,722 with an overall total revenue increase of 6.07% or $2,518,618 for the period ending June 30, 2022 as compared to June 30, 2021. General Fund Revenues are given in Table 6.

| Revenue 6/30/2022 | 2022 Revenue Amount | 2022 Amount Growth Increase (Decrease) | 2022 Percent Growth Increase (Decrease) | 2021 Revenue Amount |
|---|---|---|---|---|
| Revenue | | | | |
| Real Estate and Other Taxes | $24,621,711 | $ 1,182,722 | 5.05% | $23,438,989 |
| Interest | 14,409 | (773) | -5.09% | 15,182 |
| Other Revenue | 857,941 | 741,565 | 637.21% | 116,376 |
| State Program Revenues | 16,343,249 | (60,822) | -0.37% | 16,404,071 |
| Federal Program Revenues | 2,712,435 | 1,185,115 | 77.59% | 1,527,320 |
| Interfund Transfers | - | - | 0.00% | - |
| Total Revenue | $44,549,745 | $ 3,047,807 | 7.34% | $41,501,938 |

***Other Funds***

The Capital Projects Fund had major activity in 2022 due to the District's capital project for a new elementary school building and renovations and improvements to athletic facilities within the School District. The District is financing the capital project by issuing General Obligation Bonds Series 2022 in the amount of $36,000,000, and $24,995,000 were issued in 2021. Expenditures were made in the amount of $24,111,115 in 2022 on the capital projects in progress.

| Table 7<br>Capital Projects Fund<br>6/30/2022 | Major Fund Capital Projects 2022 | Major Fund Capital Projects 2021 |
|---|---|---|
| Total Revenue | $ 36,019,448 | $ 24,997,615 |
| Current Expenditures | $ 24,111,115 | $ 3,236,241 |
| Support Services | - | - |
| Non-Instructional Services | - | - |
| Capital Outlay | - | - |
| Transfers Out (In) | (576,329) | (1,869,062) |
| Total Charges | $ 23,534,786 | $ 1,367,179 |
| Net Change in Fund Balance | $ 12,484,662 | $ 23,630,436 |
| Fund Balance (Deficit) Prior Year | 23,630,466 | 30 |
| Fund Balance (Deficit) Current Year | $ 36,115,128 | $ 23,630,466 |

The District's Debt Service Fund balance at June 30, 2022 had no change as transfers are made to cover the required debt payments. The District continues to make all scheduled bond payment deposits with the trustee, Fulton Bank, so funds are available on the scheduled payment dates. The District received a bond premium of $1,628,497 with the issuance of General Obligation Bond Series 2022. The District received a bond premium on the General Obligation Bonds Series 2021 in the amount of $2,229,047. The premiums will be recognized in the Government Wide Statements as a reduction in interest expense over the life of the bonds.

The District's Miscellaneous Special Revenue fund balance at June 30, 2022 was $67,326, an increase of $1,318 from June 30, 2021.

***Business-Type Activities***

The Proprietary Fund, Food Services, had unrestricted net position at June 30, 2022 of $170,605 a positive swing of $181,757 from the prior year's unrestricted net deficit of $(11,152) [Table 1] representing an increase of $181,757, for the period 2021-2022. The amount due to the general fund from the food service fund was reduced to $55,856 from $375,917 in 2021.

### *General Fund Budget*

The District's budget is prepared in accordance with Pennsylvania law and is based on the cash basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The General Fund is the most significant budgeted governmental fund.

In the Final Budget [column 2] in Table 8 are the ending revised budgeted amounts for each of the program areas. The amounts reflect changes as required by law whenever needs or actual spending patterns change.

Actual General Fund expenditures increased 5.49% overall in the amount of $2,250,787 for the period ending June 30, 2022 [Table 8] and General Fund revenues increased 6.07% overall in the amount of $2,518,618. The ending fund balance increased by $719,741 or 5.15% to $5,470,485.

| Table 8<br>General Fund Budget<br>6/30/2021 | Original Budget | Final Budget | Change Increase (Decrease) | % | Actual Period Ending 6/30/2022 | Actual Period Ending 6/30/2021 | Change Increase (Decrease) | % |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | $42,642,040 | $ 42,642,040 | $ - | 0.00% | $ 43,998,629 | $ 41,480,011 | $ 2,518,618 | 6.07% |
| Expenditures | | | | | | | | |
| Instructional: | | | | | | | | |
| Regular Programs | $17,352,215 | $ 17,350,910 | $ (1,305) | -0.01% | $ 17,374,901 | $ 17,544,613 | $ (169,712) | -0.97% |
| Special Programs | 7,435,145 | 7,435,145 | - | 0.00% | 8,846,590 | 7,659,528 | 1,187,062 | 15.50% |
| Vocational Programs | 922,701 | 922,701 | - | 0.00% | 908,148 | 871,840 | 36,308 | 4.16% |
| Other Instructional | 117,000 | 117,000 | - | 0.00% | 143,412 | 73,596 | 69,816 | 94.86% |
| Total Instructional | $25,827,061 | $ 25,825,756 | $ (1,305) | -0.01% | $ 27,273,051 | $ 26,149,577 | $ 1,123,474 | 4.30% |
| Support Services: | | | | | | | | |
| Pupil Personnel | $ 1,513,446 | $ 1,513,446 | $ - | 0.00% | $ 1,580,027 | $ 1,452,418 | $ 127,609 | 8.79% |
| Instructional | 622,563 | 613,496 | (9,067) | -1.46% | 589,746 | 587,573 | 2,173 | 0.37% |
| Administrative | 2,537,537 | 2,544,776 | 7,239 | 0.29% | 2,576,195 | 2,500,851 | 75,344 | 3.01% |
| Pupil Health | 397,580 | 397,580 | - | 0.00% | 386,413 | 369,323 | 17,090 | 4.63% |
| Business | 469,103 | 468,184 | (919) | -0.20% | 620,820 | 548,996 | 71,824 | 13.08% |
| Plant Maintenance | 3,041,153 | 3,041,153 | - | 0.00% | 3,205,169 | 3,136,136 | 69,033 | 2.20% |
| Student Transportation | 2,698,125 | 2,698,125 | - | 0.00% | 609,789 | 2,322,419 | (1,712,630) | -73.74% |
| Central Support | 1,786,303 | 1,787,103 | 800 | 0.04% | 1,650,180 | 1,191,549 | 458,631 | 38.49% |
| Other Support | - | - | - | 0.00% | 17,823 | 23,556 | (5,733) | -24.34% |
| Total Support | $13,065,810 | $ 13,063,863 | $ (1,947) | -0.01% | $ 11,236,162 | $ 12,132,821 | $ (896,659) | -7.39% |
| Non-instructional Services: | | | | | | | | |
| Food Services | $ - | $ - | $ - | 0.00% | $ - | $ - | $ - | 0.00% |
| Student Activities | 722,712 | 725,964 | 3,252 | 0.45% | 818,447 | 704,635 | 113,812 | 16.15% |
| Community Services | 6,000 | 6,000 | - | 0.00% | 9,892 | 8,689 | 1,203 | 13.85% |
| Facility | - | - | - | 0.00% | - | 35,982 | (35,982) | -100.00% |
| | $ 728,712 | $ 731,964 | $ 3,252 | 0.45% | $ 828,339 | $ 749,306 | $ 79,033 | 10.55% |
| Other Objects | $ - | $ - | $ - | 0.00% | $ (551,116) | $ (21,927) | $ (529,189) | 2413.41% |
| CTC Payments | 87,500 | 87,500 | - | 0.00% | 79,708 | 65,105 | 14,603 | 22.43% |
| Interfund Transfer | 2,367,555 | 2,367,555 | - | 0.00% | 2,339,943 | 1,953,219 | 386,724 | 19.80% |
| Lease Financing | - | - | - | 0.00% | 2,072,801 | - | 2,072,801 | 100.00% |
| Budgetary Reserve | 200,000 | 200,000 | - | 0.00% | - | - | - | 0.00% |
| Total Other | $ 2,655,055 | $ 2,655,055 | $ - | 0.00% | $ 3,941,336 | $ 1,996,397 | $ 1,944,939 | 97.42% |
| Total Expenditures | $42,276,638 | $ 42,276,638 | $ - | 0.00% | $ 43,278,888 | $ 41,028,101 | $ 2,250,787 | 5.49% |
| Net Change in Fund Balance | $ 365,402 | $ 365,402 | $ - | 0.00% | $ 719,741 | $ 451,910 | $ 267,831 | 59.27% |
| Est./Actual Beg. Fund Balance | 4,750,744 | 4,750,744 | - | 0.00% | 4,750,744 | 4,298,834 | 451,910 | 10.51% |
| Est./Actual End. Fund Balance | $ 5,116,146 | $ 5,116,146 | $ - | 0.00% | $ 5,470,485 | $ 4,750,744 | $ 719,741 | 15.15% |

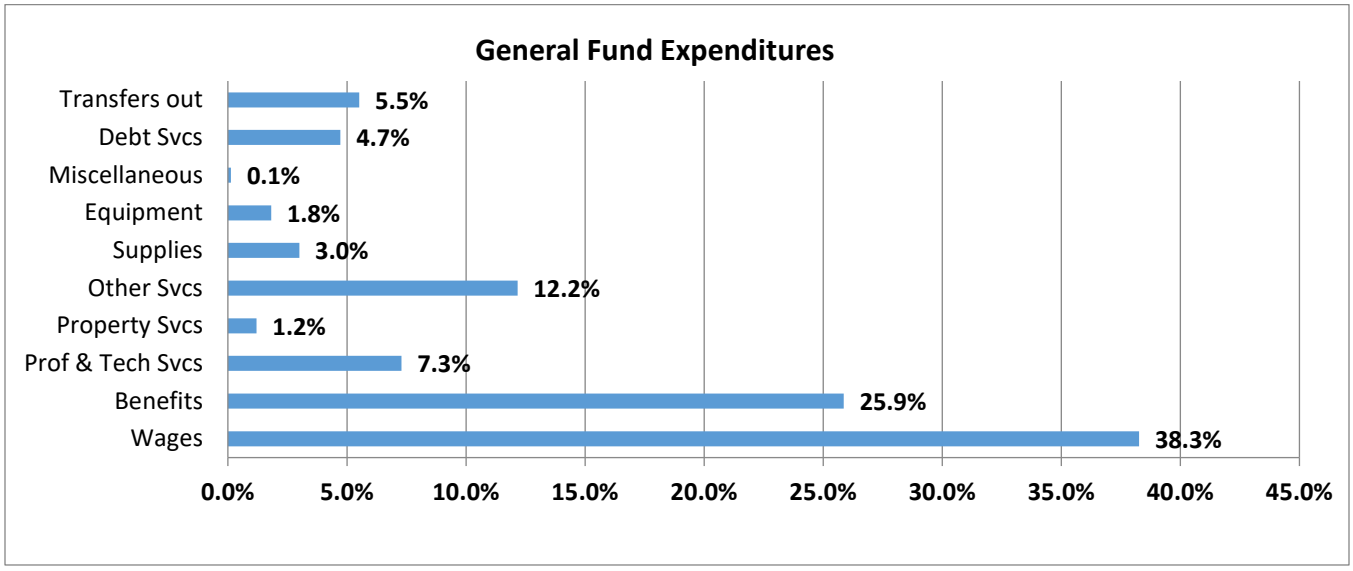
Table 9 lists the programs that the District incurred significant spending changes during the fiscal year. The programs selected have changes from their Final Budget compared to Actual Spending over or under 5%.

| Table 9<br>Spending Variances<br>6/30/2022 | Original Budget | Final Budget | Change Increase (Decrease) | Change % | Actual Period Ending 6/30/2022 | Actual Period Ending 6/30/2021 | Change Increase (Decrease) | Change % |
|---|---|---|---|---|---|---|---|---|
| Expenditures | | | | | | | | |
| Special Programs | $ 7,435,145 | $ 7,435,145 | - | 0.00% | $ 8,846,590 | $ 7,659,528 | $ 1,187,062 | 15.50% |
| Other Instructional | 117,000 | 117,000 | - | 0.00% | 143,412 | 73,596 | 69,816 | 94.86% |
| Student Transportation | 2,698,125 | 2,698,125 | - | 0.00% | 609,789 | 2,322,419 | (1,712,630) | -73.74% |
| Central Support | 1,786,303 | 1,787,103 | 800 | 0.04% | 1,650,180 | 1,191,549 | 458,631 | 38.49% |
| Community Services | 6,000 | 6,000 | - | 0.00% | 9,892 | 8,689 | 1,203 | 13.85% |
| Student Activities | 722,712 | 725,964 | 3,252 | 0.45% | 818,447 | 704,635 | 113,812 | 16.15% |
| Other Objects | - | - | - | 0.00% | (551,116) | (21,927) | (529,189) | 2413.41% |
| Other support | - | - | - | 0.00% | 17,823 | 23,556 | (5,733) | -24.34% |
| Budgetary Reserve | 200,000 | 200,000 | - | 0.00% | - | - | - | 0.00% |
| Business | 469,103 | 468,184 | (919) | -0.20% | 620,820 | 548,996 | 71,824 | 13.08% |
| Plant Maintenance | 3,041,153 | 3,041,153 | - | 0.00% | 3,205,169 | 3,136,136 | 69,033 | 2.20% |
| Lease Financing | - | - | - | 0.00% | 2,072,801 | - | 2,072,801 | 100.00% |
| Prior Year Refund | 87,500 | 87,500 | - | 0.00% | 79,708 | 65,105 | 14,603 | 22.43% |
| Total | $ 16,563,041 | $ 16,566,174 | $ 3,133 | 0.02% | $ 17,523,515 | $ 15,712,282 | $ 1,811,233 | 11.53% |

Table 10 compares General Fund expenditures by objects for 2021-2022 and 2020-2021 fiscal periods.

| Chart 10<br>Expenses by Objects<br>6/30/2022 | 2021-2022 | 2020-2021 | Change Increase (Decrease) | Change % |
|---|---|---|---|---|
| Wages | $ 16,772,893 | $ 16,590,425 | $ 182,468 | 1.10% |
| Benefits | 11,336,253 | 10,412,814 | 923,439 | 8.87% |
| Prof & Tech Svcs | 3,196,775 | 3,610,695 | (413,920) | -11.46% |
| Property Svcs | 529,987 | 249,493 | 280,494 | 112.43% |
| Other Svcs | 5,332,316 | 5,978,145 | (645,829) | -10.80% |
| Supplies | 1,315,334 | 1,641,123 | (325,789) | -19.85% |
| Equipment | 795,477 | 394,973 | 400,504 | 101.40% |
| Miscellaneous | 58,517 | 154,036 | (95,519) | -62.01% |
| Transfers out | 2,072,801 | 300,000 | 1,772,801 | 590.93% |
| Debt Svcs | 2,419,651 | 1,718,324 | 701,327 | 40.81% |
| Total Expenses | $ 43,830,004 | $ 41,050,028 | $ 2,779,976 | 6.77% |

The following chart graphs 2021-2022 expenditures by objects.




General Fund expenditures increased 5.49% overall in the amount of $2,250,787 for the period ending June 30, 2022 [Table 8] and General Fund revenues increased 6.07% overall in the amount of $2,518,618. The ending fund balance increased by $719,741 or 15.15% to $5,470,485.

## CAPITAL ASSETS AND DEBT

### *Capital Assets*

The District has $63,925,340 invested in capital assets net of depreciation and amortization. The District purchased $409,178 of capital assets and had construction in progress for the 2022 capital project, a new elementary school building and renovations and improvements to athletic facilities within the School District, of $24,111,115. Beginning capital assets were increased with right-to-use assets of $17,581,247 and accumulated amortization of $2,109,587 for the implementation of GASB No. 87, *Leases.* Depreciation of Capital Assets Governmental Activities was $3,171,803 and $4,800 for Business Type Activity for the fiscal year 2022. Accumulated amortization related to the right-to-use assets was $3,970,358. A durable single-item purchase or a group purchase of durable items with a purchase price of at least $1,000 and an expected life greater than one year are defined as capital assets.

Table 11

| Total Assets 6/30/2022 | 2022 Governmental Activities | 2021 Governmental Activities | 2022 Business-Type Activities | 2021 Business-Type Activities | 2022 District-wide Total | 2021 District-wide Total | 2022 District-wide Incr(decrease) | 2021 District-wide Incr(decrease) |
|---|---|---|---|---|---|---|---|---|
| Current Assets | $ 53,410,112 | $ 33,249,481 | $ 274,342 | $ 445,944 | $ 53,684,454 | $ 33,695,425 | $ 19,989,029 | 59.32% |
| Noncurrent Assets | 63,901,476 | 27,081,326 | 23,864 | 28,664 | 63,925,340 | 27,109,990 | 36,815,350 | 135.80% |
| Total Assets | $117,311,588 | $ 60,330,807 | $ 298,206 | $ 474,608 | $117,609,794 | $ 60,805,415 | $ 56,804,379 | 93.42% |

***Debt***

As of June 30, 2022, the District had $69,708,000 in outstanding bonds and notes payable. The District issued General Obligation Bonds Series 2022 in the amount of $36,000,000 in addition to the 2021 General Obligation Bonds issued in the amount of $24,995,000, to financing the new capital project. The District made scheduled debt payments of $1,515,000 in principal and paid $824,948 in interest on bonds and notes payable during the 2021-2022Fiscal Year.

Table 12 Debt 6/30/2022

| Maturity | Description | Series | Principal | Interest | Total P&I |
|---|---|---|---|---|---|
| 2/15/2024 | General Obligation Notes | Series 2020A | $ 1,866,000 | $ 22,695 | $ 1,888,695 |
| 2/15/2029 | General Obligation Notes | Series 2020B | 6,847,000 | 500,289 | 7,347,289 |
| 6/30/2051 | General Obligation Bonds | Series 2021 | 24,995,000 | 13,998,025 | 38,993,025 |
| 6/30/2051 | General Obligation Bonds | Series 2022 | 36,000,000 | 27,192,753 | 63,192,753 |
| | Balance 6/30/2022 | | $ 69,708,000 | $41,713,762 | $111,421,762 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District had an enrollment of 2,321 for the period ending June 30, 2022. Enrollment for the period ending June 30, 2021 was 2,450. Enrollments have been mixed. There have been both ups and downs in the year-to-year enrollment numbers. Enrollment trends have trended with the community's economy as it expands and contracts. Pennsylvania Department of Education forecast of growth has been realized and enrollment has been relatively level for the past 10 years but is expected to decrease slightly in the future.

In the Governmental Funds Statements: Total revenues exceeded expenses in the amount of $719,741 in the 2021-2022 period. Total Revenues increase was $2,518,618 or 6.07%. Expenditures also increased by $2,250,787 or 5.49%.

In the Government-Wide Statements: Governmental Activities General Revenues increased 7.16% from $32,000,097 to $34,291,634 [Table 3] and Program Revenues increased 3.10% from $9,419,682 to $9,712,065 in the 2021-2022 period. Revenues exceeded Expenses by $736,927 for the Governmental Activities. The outlook for the 2022-2023 period remains cautious given the general economic conditions.

## CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Affairs, Northern Lebanon School District, 345 School Drive, Fredericksburg, PA 17026, or call 717-865-0541.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2022**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets:** | | | |
| Cash and Cash Equivalents | $ 49,889,240 | $ 180,790 | $ 50,070,030 |
| Taxes Receivable, Net | 1,124,842 | - | 1,124,842 |
| Due from Other Governments | 2,341,792 | - | 2,341,792 |
| Prepaid Expenses | - | - | - |
| Other Receivable | 54,238 | 65,523 | 119,761 |
| Inventories | - | 28,029 | 28,029 |
| Sewer District #3 Operating Statement | | | |
| **Total Current Assets** | 53,410,112 | 274,342 | 53,684,454 |
| **Noncurrent Assets:** | | | |
| Land | 538,950 | - | 538,950 |
| Construction in Progress | 27,347,356 | - | 27,347,356 |
| Right-to-Use Asset, net of amortization | 13,461,209 | - | 13,461,209 |
| Building and Building Improvements, net of depreciation | 21,419,849 | - | 21,419,849 |
| Furniture and Equipment net of depreciation | 935,012 | 23,864 | 958,876 |
| Vehicles, net of depreciation | 199,100 | - | 199,100 |
| **Total Noncurrent Assets** | 63,901,476 | 23,864 | 63,925,340 |
| **TOTAL ASSETS** | 117,311,588 | 298,206 | 117,609,794 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Bond Refunding | 47,889 | - | 47,889 |
| Pension Related | 10,811,186 | - | 10,811,186 |
| Other Postemployment Benefits | 1,276,325 | - | 1,276,325 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | $ 12,135,400 | $ - | $ 12,135,400 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2022**
**(CONTINUED)**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current Liabilities:** | | | |
| Due to Other Governments | $ 309,444 | $ - | $ 309,444 |
| Due to External Party | (55,856) | 55,856 | - |
| Accounts Payable | 5,017,010 | 45,948 | 5,062,958 |
| Accrued Salaries and Benefits | 3,908,734 | - | 3,908,734 |
| Payroll Deductions and Withholdings | 169,931 | - | 169,931 |
| Retainage Payable | 1,888,819 | - | 1,888,819 |
| Accrued Interest Payable | 486,737 | - | 486,737 |
| Unearned Revenues | 69,408 | 25,797 | 95,205 |
| Current Portion of Healthcare Retirement Benefits | 644 | - | 644 |
| Current Portion of Leases Payable | 1,743,351 | - | 1,743,351 |
| Current Portion of Long-Term Debt | 1,598,000 | - | 1,598,000 |
| **Total Current Liabilities** | 15,136,222 | 127,601 | 15,263,823 |
| **Noncurrent Liabilities:** | | | |
| Bonds and Notes Payable | 68,110,000 | - | 68,110,000 |
| Bond Premium | 3,761,745 | - | 3,761,745 |
| Long-Term Portion of Healthcare Retirement Benefits | 1,589 | - | 1,589 |
| Other Postemployment Benefits | 5,821,876 | - | 5,821,876 |
| Long-Term Portion of Compensated Absences | 1,462,720 | - | 1,462,720 |
| Long-Term Portion of Leases Payable | 12,438,786 | - | 12,438,786 |
| Net Pension Liability - Proportionate Share | 47,297,000 | - | 47,297,000 |
| **Total Noncurrent Liabilities** | 138,893,716 | - | 138,893,716 |
| **TOTAL LIABILITIES** | 154,029,938 | 127,601 | 154,157,539 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension Related | 8,627,000 | - | 8,627,000 |
| Other Postemployment Benefits | 211,745 | - | 211,745 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 8,838,745 | - | 8,838,745 |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | 14,653,297 | 23,864 | 14,677,161 |
| Restricted | 36,682,642 | - | 36,682,642 |
| Unrestricted | (84,757,634) | 146,741 | (84,610,893) |
| **TOTAL NET POSITION** | $ (33,421,695) | $ 170,605 | $ (33,251,090) |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**
**FOR THE YEAR ENDED JUNE 30, 2022**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Business- Type Activities | Net (Expense) Revenue and Changes in Net Position: Total |
|---|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | | |
| Instruction | $ 26,272,354 | $ 119,777 | $ 7,558,562 | $ - | $ (18,594,015) | $ - | $ (18,594,015) |
| Instructional Student Support | 2,525,480 | - | 167,048 | - | (2,358,432) | - | (2,358,432) |
| Administrative and Financial Support Services | 4,270,998 | - | - | - | (4,270,998) | - | (4,270,998) |
| Operation and Maintenance of Plant Services | 3,144,632 | 2,900 | - | - | (3,141,732) | - | (3,141,732) |
| Pupil Transportation | 2,516,983 | - | 1,406,438 | - | (1,110,545) | - | (1,110,545) |
| Student Activities | 818,447 | 27,459 | - | - | (790,988) | - | (790,988) |
| Community Services | 9,892 | - | - | - | (9,892) | - | (9,892) |
| Interest and Debt Issuance Costs on Long-Term Debt | 2,443,377 | - | - | 429,881 | (2,013,496) | - | (2,013,496) |
| Unallocated Depreciation/Amortization Expense | 1,264,609 | - | - | - | (1,264,609) | - | (1,264,609) |
| **Total Governmental Activities** | $ 43,266,772 | $ 150,136 | $ 9,132,048 | $ 429,881 | $ (33,554,707) | $ - | (33,554,707) |
| **Business-Type Activities** | | | | | | | |
| Food Services | 1,248,617 | 116,072 | 1,314,120 | - | - | 181,575 | 181,575 |
| **Total** | $ 44,515,389 | $ 266,208 | $ 10,446,168 | $ 429,881 | $ (33,554,707) | $ 181,575 | $ (33,373,132) |
| **General Revenues:** | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes, Levied for General Purposes, Net | | | | | 21,983,862 | - | 21,983,862 |
| Earned Income, Realty Transfer and Per Capita Taxes Levied for General Purposes, Net | | | | | 3,265,359 | - | 3,265,359 |
| Grants, Subsidies, and Contributions Not Restricted | | | | | 8,846,315 | - | 8,846,315 |
| Interest Earnings | | | | | 33,920 | 182 | 34,102 |
| Miscellaneous Income | | | | | 162,178 | - | 162,178 |
| Gain (Loss) on Disposals | | | | | - | - | - |
| Transfers | | | | | - | - | - |
| **Total General Revenues and Transfers** | | | | | 34,291,634 | 182 | 34,291,816 |
| Change in Net Position | | | | | 736,927 | 181,757 | 918,684 |
| Net Position - July 1, 2021 | | | | | (33,751,737) | (11,152) | (33,762,889) |
| Restatement - Change in Accounting | | | | | (406,885) | - | (406,885) |
| Net Position - July 1, 2021, Restated | | | | | (34,158,622) | (11,152) | (34,169,774) |
| Net Position - June 30, 2022 | | | | | $ (33,421,695) | $ 170,605 | $ (33,251,090) |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2022**

| | General Fund | Capital Projects Fund | Debt Service Fund | Miscellaneous Special Revenue | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 5,934,807 | $ 43,887,107 | $ - | $ 67,326 | $ 49,889,240 |
| Taxes Receivable (Net) | 1,124,842 | - | - | - | 1,124,842 |
| Due from Other Funds | 1,623,503 | - | - | - | 1,623,503 |
| Due from Other Governments | 2,341,792 | - | - | - | 2,341,792 |
| Other Receivables | 54,238 | - | - | - | 54,238 |
| Prepaid Expenses | - | - | - | - | - |
| **TOTAL ASSETS** | 11,079,182 | 43,887,107 | - | 67,326 | 55,033,615 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred Outflows of Resources | - | - | - | - | - |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | - | - | - | - | - |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE** | | | | | |
| **LIABILITIES** | | | | | |
| Due to Other Funds | - | 1,567,647 | - | - | 1,567,647 |
| Due to Other Governments | 309,444 | - | - | - | 309,444 |
| Accounts Payable and Other Liabilities | 701,497 | 4,315,513 | - | - | 5,017,010 |
| Accrued Salaries and Benefits | 3,908,734 | - | - | - | 3,908,734 |
| Payroll Deductions and Withholdings | 169,931 | - | - | - | 169,931 |
| Retainage Payable | - | 1,888,819 | - | - | 1,888,819 |
| Unearned Income | 69,408 | - | - | - | 69,408 |
| **TOTAL LIABILITIES** | 5,159,014 | 7,771,979 | - | - | 12,930,993 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred Inflows of Resources | 449,683 | - | - | - | 449,683 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 449,683 | - | - | - | 449,683 |
| **FUND BALANCE** | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | 36,115,128 | - | 67,326 | 36,182,454 |
| Committed - Reserve for Health Care | 500,188 | - | - | - | 500,188 |
| Assigned | 300,000 | - | - | - | 300,000 |
| Unassigned | 4,670,297 | - | - | - | 4,670,297 |
| **TOTAL FUND BALANCE** | $ 5,470,485 | $ 36,115,128 | $ - | $ 67,326 | $ 41,652,939 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2022**

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | | $ 41,652,939 |
| **Amounts reported for governmental activities in the statement of net position are different because:** | | |
| Capital Assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $80,033,766 and the accumulated depreciation is $29,593,499 | | 50,440,267 |
| Right-to-Use Lease Assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $17,581,247 and the accumulated amortization is $2,109,587 | | 13,461,209 |
| Bond premiums amortized in governmental activities are not financial resources and therefore are not reported as liabilities in governmental funds. The bond premium received is $3,857,544 and the accumulated amortization is $95,799 | | (3,761,745) |
| Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the Life of the respective debt in the government-wide statement of net position (deficit) | | 47,889 |
| Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds | | 449,683 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | | |
| Net Pension Liability | (47,297,000) | |
| Net Other Postemployment Benefit (OPEB) Liability | (5,821,876) | |
| Bonds/note payable | (69,708,000) | |
| Accrued interest on the bonds/notes | (486,737) | |
| Leases payable | (14,182,137) | |
| Healthcare retirement benefits payable | (2,233) | |
| Compensated absences | (1,462,720) | (138,960,703) |
| Deferred inflows of resources - are not due and payable in the current period and therefore, are not reported in the funds. | | |
| Pension Related | | (8,627,000) |
| Other Postemployment Benefit (OPEB) Liability | | (211,745) |
| Deferred outflows of resources - not due and collectable in the current period and therefore, are not reported in the funds: | | |
| Pension Related | | 10,811,186 |
| Other Postemployment Benefit (OPEB) Liability | | 1,276,325 |
| **Total Net Position - Governmental Activities** | | $ (33,421,695) |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | General Fund | Capital Projects Fund | Debt Service Fund | Miscellaneous Special Revenue | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| **Local Sources:** | | | | | |
| Real Estate Taxes and Penalties | $ 21,356,352 | $ - | $ - | $ - | $ 21,356,352 |
| Other Taxes | 3,265,359 | - | - | - | 3,265,359 |
| Interest | 14,409 | 19,448 | 4 | 59 | 33,920 |
| Revenue from Student Activities | 27,459 | - | - | - | 27,459 |
| Tuition | 119,777 | - | - | - | 119,777 |
| Fees | 325 | - | - | - | 325 |
| Rentals | 2,900 | - | - | - | 2,900 |
| Contributions from Private Sources | 2,850 | - | - | - | 2,850 |
| Other Revenue | 153,514 | - | - | 5,813 | 159,327 |
| **Total Local Sources** | 24,942,945 | 19,448 | 4 | 5,872 | 24,968,269 |
| State Sources | 16,343,249 | - | - | - | 16,343,249 |
| Federal Sources | 2,712,435 | - | - | - | 2,712,435 |
| **TOTAL REVENUES** | 43,998,629 | 19,448 | 4 | 5,872 | 44,023,953 |
| **EXPENDITURES** | | | | | |
| **Current:** | | | | | |
| Instruction | 27,273,051 | - | - | 4,554 | 27,277,605 |
| Support Services | 11,236,162 | - | - | - | 11,236,162 |
| Operation of Noninstructional Services | 828,339 | - | - | - | 828,339 |
| **Total Current** | 39,337,552 | - | - | 4,554 | 39,342,106 |
| **Capital Outlay:** | | | | | |
| Facilities Acquisition, Construction and Improvement Services | - | 24,111,115 | - | - | 24,111,115 |
| **Total Capital Outlay** | - | 24,111,115 | - | - | 24,111,115 |
| **Debt Service and Lease Payments to CTC** | | | | | |
| Principal | - | - | 1,515,000 | - | 1,515,000 |
| Lease Payments to CTC | 79,708 | - | - | - | 79,708 |
| Bond Issuance Costs | - | - | 1,052,167 | - | 1,052,167 |
| Interest and Fiscal Charges | - | - | 824,948 | - | 824,948 |
| **Total Debt Service** | 79,708 | - | 3,392,115 | - | 3,471,823 |
| **TOTAL EXPENDITURES** | 39,417,260 | 24,111,115 | 3,392,115 | 4,554 | 66,925,044 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 4,581,369 | (24,091,667) | (3,392,111) | 1,318 | (22,901,091) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Interfund Transfers In (Out) | (2,339,943) | 576,329 | 1,763,614 | - | - |
| Proceeds from Issuance of Bonds | - | 36,000,000 | - | - | 36,000,000 |
| Bond Premium | - | - | 1,628,497 | - | 1,628,497 |
| Proceeds from Refunding Bonds | - | - | - | - | - |
| Debt Service - Principal for Bonds Refunded | | | - | - | - |
| Lease Financing | (2,072,801) | - | - | | (2,072,801) |
| Budgetary Reserve | - | - | - | - | - |
| Refund of Prior Year Revenue | 551,116 | - | - | - | 551,116 |
| Other Income | - | - | - | - | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (3,861,628) | 36,576,329 | 3,392,111 | - | 36,106,812 |
| **Net Change in Fund Balances** | 719,741 | 12,484,662 | - | 1,318 | 13,205,721 |
| **Fund Balance - July 1, 2021, Beginning of Year, As Previous** | 4,750,744 | 23,630,466 | - | 66,008 | 28,447,218 |
| **Restatement - Change in Accounting** | - | - | - | - | - |
| **Fund Balance - June 30, 2022** | $ 5,470,485 | $ 36,115,128 | $ - | $ 67,326 | $ 41,652,939 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**TO THE STATEMENT OF ACTIVITIES & CHANGES IN NET POSITION**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | | |
|---|---|---|
| **Total net change in fund balance - governmental funds** | | $ 13,205,721 |
| **Amounts reported for governmental activities in the statement of activities are different because:** | | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period. | | |
| Depreciation expense | $ (3,171,803) | |
| Capital outlays, net | 24,520,294 | 21,348,491 |
| Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period. | | 1,696,408 |
| The net effect of various disposals of capital assets is to decrease net assets. | | |
| Proceeds from bond premiums are reported in governmental funds as revenues However, in the statement of activities, the unearned revenue is allocated over the life of the bonds as a reduction of interest expense. This is the amount that current year premiums received exceeds the amortization in the period. | | 95,799 |
| Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the Life of the respective debt in the government-wide statement of net position (deficit) | | (14,114) |
| Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. | | (20,255) |
| Bond proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which debt issued exceeded principal payments. | | (36,113,497) |
| In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with net pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable. | | 1,089,067 |
| In the statement of activities, deferred inflows of resources - OPEB deferred outflows of resources - OPEB, and OPEB expense are recognized in conjunction with net OPEB. Whereas in the governmental funds, OPEB expense is recorded when required contributions are payable. | | (312,776) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. They consist of: | | |
| Decrease in compensated absences | | 30,706 |
| Decrease in healthcare retirement benefits payable | | 2,931 |
| OTHER | | |
| Decrease in accrued interest expense on bonds/notes payable | | (271,554) |
| **Change in net position of governmental activities** | | $ 736,927 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUND - FOOD SERVICE**
**JUNE 30, 2022**

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and Cash Equivalents | $ | 180,790 |
| Due from Other Funds | | - |
| Other Receivables | | 65,523 |
| Inventories | | 28,029 |
| **Total Current Assets** | | 274,342 |
| **Noncurrent Assets** | | |
| Furniture and Equipment, net of accumulated depreciation | | 23,864 |
| **Total Noncurrent Assets** | | 23,864 |
| **TOTAL ASSETS** | | 298,206 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Outflows of Resources | | - |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | | - |
| **LIABILITIES** | | |
| **Current Liabilities:** | | |
| Accounts Payable | | 45,948 |
| Due to other Funds | | 55,856 |
| Unearned Revenue | | 25,797 |
| **Total Current Liabilities** | | 127,601 |
| **Noncurrent Liabilities:** | | |
| Long-Term Portion of Compensated Absences | | - |
| **Total Noncurrent Liabilities** | | - |
| **TOTAL LIABILITIES** | | 127,601 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflows of Resources | | - |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | | - |
| **NET POSITION** | | |
| Net Investment in Capital Assets | | 23,864 |
| Unrestricted | | 146,741 |
| **TOTAL NET POSITION** | $ | 170,605 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**PROPRIETARY FUND - FOOD SERVICE**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | |
|---|---|
| **OPERATING REVENUES:** | |
| Food Service Revenue | $ 92,439 |
| Charges for Services | 23,633 |
| **TOTAL OPERATING REVENUES** | 116,072 |
| **OPERATING EXPENSES:** | |
| Purchased Property Service | - |
| Other Objects | - |
| Other Purchased Service | 1,142,363 |
| Supplies | 101,454 |
| Depreciation | 4,800 |
| **TOTAL OPERATING EXPENSES** | 1,248,617 |
| **OPERATING (LOSS)** | (1,132,545) |
| **NONOPERATING REVENUES (EXPENSES):** | |
| Earnings on Investments | 182 |
| Loss on Disposal of Fixed Assets | - |
| State Sources | 34,431 |
| Federal Sources | 1,279,689 |
| **TOTAL NONOPERATING REVENUES** | 1,314,302 |
| **GAIN (LOSS) BEFORE CONTRIBUTIONS** | 181,757 |
| Transfers In | - |
| **CHANGE IN NET POSITION** | 181,757 |
| **TOTAL NET POSITION - JULY 1, 2021** | (11,152) |
| **TOTAL NET POSITION - JUNE 30, 2022** | $ 170,605 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUND - FOOD SERVICE**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash Received from Users | $ | 198,155 |
| Cash Received from (Paid to) Others | | (320,061) |
| Cash Payments to Suppliers for Goods and Services | | (1,286,112) |
| **Net Cash (Used for) Operating Activities** | | (1,408,018) |
| **Cash Flows from Noncapital Financing Activities** | | |
| State Sources | | 34,431 |
| Federal Sources | | 1,279,689 |
| Operating Transfers In | | - |
| **Net Cash Provided by Noncapital Financing Activities** | | 1,314,120 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Purchase of Machinery and Equipment | | - |
| **Net Cash (Used for) Capital and Related Financing Activities** | | - |
| **Cash Flows from Investing Activities** | | |
| Earnings on Investments | | 182 |
| **Net Cash Provided by Investing Activities** | | 182 |
| **Net Decrease in Cash and Cash Equivalents** | | (93,716) |
| **Cash and Cash Equivalents Beginning of Year** | | 274,506 |
| **Cash and Cash Equivalents End of Year** | $ | 180,790 |
| **Reconciliation of Operating Income to Net Cash (Used for) for Operating Activities:** | | |
| **Operating (Loss)** | $ | (1,132,545) |
| **Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities:** | | |
| Depreciation | | 4,800 |
| (Increase) Decrease in Accounts Receivable | | 74,268 |
| (Increase) Decrease in Due from Other Funds | | - |
| (Increase) Decrease in Inventories | | 3,618 |
| Increase (Decrease) in Due to Other Funds | | (320,061) |
| Increase (Decrease) in Accounts Payable | | (45,913) |
| Increase (Decrease) in Unearned Revenue | | 7,815 |
| **Total Adjustments** | | (275,473) |
| **Net Cash Used by Operating Activities** | $ | (1,408,018) |
| **Supplemental Disclosure for Noncash items** | | |
| Donated Commodities - noncash | $ | 89,048 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**JUNE 30, 2022**

| | Custodial Fund Activities |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents | $ 243,054 |
| Investments | - |
| Due from Other Funds | - |
| **TOTAL ASSETS** | 243,054 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Outflows of Resources | - |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | - |
| **LIABILITIES** | |
| Due to Other Funds | - |
| Due to Student Groups | - |
| Due to Employees | - |
| **TOTAL LIABILITIES** | - |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred Inflows of Resources | - |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | - |
| **NET POSITION** | |
| Unrestricted | $ 243,054 |

The accompanying notes are an integral part of these financial statements.

**NORTHERN LEBANON SCHOOL DISTRICT**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | Custodial Fund |
|---|---|
| **ADDITIONS** | |
| Extraclassroom Receipts | $ 363,491 |
| **TOTAL ADDITIONS** | 363,491 |
| **DEDUCTIONS** | |
| Extraclassroom Disbursements | 332,473 |
| **TOTAL DEDUCTIONS** | 332,473 |
| **CHANGE IN NET POSITION** | 31,018 |
| **NET POSITION - JULY 1, 2021, AS PREVIOUSLY STATED** | 212,036 |
| **NET POSITION - JUNE 30, 2022** | $ 243,054 |

The accompanying notes are an integral part of these financial statements.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The Northern Lebanon School District operates four elementary schools and one Junior/Senior High School in Lebanon County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

The financial statements of Northern Lebanon School District (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. The criteria used to evaluate component units for possible inclusion as part of the School District's reporting entity are financial accountability and the nature and significance of the relationship. In evaluating the School District as a reporting entity, management has addressed all potential component units which may or may not fall within the School District's financial accountability. This report presents the activities of Northern Lebanon School District. The School District is not a component unit of another reporting entity, nor does it have any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental grants, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given function or segment and 2) grants and/or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (Continued)
The fund statements provide information about the District's funds, including fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. If the District believes a fund is "particularly important to financial statement users" it may report the fund as a major fund. All remaining governmental funds are aggregated and reported as non-major.

Measurement Focus, Basis of Accounting and Financial Statement Presentation
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied to the extent collectible. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund revenues accrued on this basis include real estate taxes, deed transfer tax, and fees. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Unearned revenue has been recorded for certain receivables that are measurable but not available to finance current liabilities. Revenues from intergovernmental grants are recognized on the basis of actual expenditures incurred and to the extent amounts are available.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)
The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate.

The District reports the following major governmental funds:

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

The *Capital Projects Fund* is used to account for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

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

The District reports the following non-major fund as a major governmental fund, displayed in a separate column.

The *Miscellaneous Special Revenue Fund* is used to account for activities in the various scholarship accounts, whose sole purpose is to provide scholarships as prescribed by donor stipulations.

The District has one business-type activity:

The *Food Service Fund* is used to account for the activities of the District's food service program.

Additionally, the District reports the following fiduciary fund types:

**Fiduciary Funds** - Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. The School District reports the following Fiduciary Funds:

> ***Custodial Funds:*** These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds.

Inter-fund Activity in the Government-wide Statements
As a general rule, the effect of Inter-fund activity has been eliminated from the government-wide financial statements.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Classification on Government-wide Statement of Activities

Amounts reported as *program revenues* include 1) charges to customers for services provided and rents, 2) operating grants, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Budget and Budgetary Accounting

An operating 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 and is the only fund for which the District adopts a budget.

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

> The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
>
> The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office 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 ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. 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.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program-by-program basis by the federal and state funding agencies.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, certificates of deposit, money market funds, and deposits with the Pennsylvania School District Liquid Asset Fund (PSDLAF). Cash on hand was $1,285 as of June 30, 2022. The fair values of deposits are equal to the cost of the deposits including accrued interest which approximates fair value.

Short-term Inter-fund Receivables/Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the government-wide financial statements as "Due from External Party" or "Due to External Party".

Inventories

A physical inventory of the Cafeteria Fund food and supplies was taken as of June 30, 2022. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2022 are reported as unearned revenue.

Capital Assets

Capital assets, which include buildings, building improvements, furniture and equipment, and vehicles, are reported at cost. Capital assets are defined by the District as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than $1,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. To the extent the District's capitalization threshold is met, capital outlays are recorded and depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Building and Building Improvements | 40 years |
| Furniture and Equipment | 5 to 12 years |
| Vehicles | 12 years |
| Intangibles: | |
| Right-to-use lease assets: Transportation Vehicles | 10 years |
| Equipment | 5 years |

Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (Continued)
Major outlays for capital assets and improvements are capitalized as projects are constructed.

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over its useful life 7-12 years.

Leases
As lessee, the District recognizes lease liabilities with an initial, individual value of $1,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's estimated incremental borrowing rate is based on the risk free rate for tax exempt bonds that were issued by the District in the past adjusted for the terms of the various leases.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows, liabilities and deferred inflows, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, post-employment benefits, pensions, potential contingent liabilities, and useful lives of long-lived assets.

Pensions
District employees participate in the Public School Employees' Retirement System (PSERS). 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 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.

Vested Employee Benefits - Compensated Absences
Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end. In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Postemployment Benefits

The District's other post-employment benefits (OPEB) include a single-employer defined benefit plan that provides medical and prescription drug benefits to eligible retired employees, spouses, and dependents. In addition, the District participates in a multiple-employer OPEB health insurance premium assistance program administered by the Public School Employees' Retirement System (PSERS). For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The School District follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

**Equity Classifications - District-wide Statements**

In the district-wide statements there are three classes of net position:

- **Net investment in capital assets –** consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- **Restricted net position –** reports net position when constraints placed on the assets are 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 –** reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

**Equity Classifications - Governmental Statements**

In the fund basis statements there are five classifications of fund balance:

**Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

**Restricted** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance.

**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Directors. The School District has committed fund balances of $500,188 at June 30, 2022 for health care.

**Assigned** – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

**Unassigned** – Includes all other General Fund amounts that do not meet definition of the above four classifications and are deemed to be available for general use by the School District.

### ACCOUNTING STANDARDS ADOPTED IN 2022

The District has adopted and implemented all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2022 the District implemented the following applicable new standards issued by GASB:

GASB has issued Statement No. 87, *Leases,* effective for the year ending June 30, 2022. The objectives of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* effective for the year ending June 30, 2022. This statement establishes accounting requirements for interest cost incurred before the end of a construction period.

GASB Statement No. 92, Omnibus, effective for the year ending June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates,* (paragraphs 11b, 13 and 14), effective for the year ending June 30, 2022.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the year ending June 30, 2022 (the requirements in paragraph 4, as they apply to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, and paragraph 5 were effective as of June 30, 2021).

### FUTURE ACCOUNTING STANDARDS

The Government Accounting Standards Board (GASB) issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement was intended to provide relief to governments in light of the COVID-19 pandemic. The following Standards effective dates have been revised according:

GASB has issued Statement No. 91, *Conduit Debt Obligations,* effective for the year ending June 30, 2023.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Agreements, effective for the year ending June 30, 2023.

GASB Statement No. 96, Subscription-Based information Technology Agreements, effective for the year ending June 30, 2023.

## NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (continued)

### FUTURE ACCOUNTING STANDARDS (continued)

GASB Statement No. 99, Omnibus, some elements effective for the year ending June 30, 2022 and others June 30, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, effective for the year ending June 30, 2025.

The District is currently studying the statements and plans adoption if and when required.

### DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

The statement of net position (deficit) in addition to reporting assets and liabilities will sometimes report a separate section for deferred inflows/outflows of resources. Deferred inflows/outflows of resources represent either a consumption or acquisition of net position that applies to future period(s) and will not be recognized as an inflow/outflow (revenue/expense) of resources until that period.

The District's deferred inflows/outflows of resources are reported on the government-wide statement of net position (deficit) for Pension and Other Post-Employment Benefits (OPEB) and the deferred effect of bond defeasance.

The District also reports unavailable revenue only in the governmental funds balance sheet, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from property taxes.

## NOTE 2 - CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT RISK

Section 440.1 of the Pennsylvania Public School Code of 1949, as amended (the Code), permits the District to hold deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. The District complied with these requirements at June 30, 2022.

The Code also permits the District to invest its monies in obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The District invests in certificates of deposit and the PSDLAF as authorized by the Board. PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by the Code. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

## NOTE 2 - CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT RISK (continued)

The District invests in money market funds, which are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to them. The District does not have a deposit policy for custodial credit risk. As of June 30, 2022, $49,833,524 of the School District's bank balances of $50,567,620 was exposed to custodial credit risk as follows:

| | |
|---|---|
| Uninsured and Uncollateralized | $ - |
| Collateralized with Securities Held by the Pledging Financial Institution | - |
| Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name | 49,833,524 |
| | $ 49,833,524 |

**Reconciliation of Cash and Cash Equivalents to the Financial Statements**

| | |
|---|---|
| Uninsured Amount Above | $ 49,833,524 |
| Insured Amount | 734,066 |
| Invested in US Treasury Backed or PSDLAF | 30 |
| Bank Balance | 50,567,620 |
| Deposit in Transit | - |
| Outstanding Checks | (255,821) |
| Carrying Amount – Bank Balances | 50,311,799 |
| Petty Cash | 1,285 |
| Total Cash and Cash Equivalents per Financial Statements | $ 50,313,084 |

## NOTE 3 - REAL ESTATE AND PER CAPITA TAXES AND UNEARNED INCOME

Based upon assessments provided by the County, the tax collector bills and collects property taxes and remits them to the District. The District tax rate for the year ended June 30, 2022 was 14.6623 mills as levied by the Board of School Directors. The Board of School Directors also levies per capita taxes based on the census of residents in the District. The tax rate under Section 679 is $5/person and under Act 511 is $5/person. The total per capita tax levied by the District is $10/person. The schedule for real estate and per capita taxes levied for each fiscal year is as follows:

| | |
|---|---|
| July 1 | Levy Date |
| July 1 – August 31 | 2% Discount Period |
| September 1 – October 31 | Face Payment Period |
| November 1 – December 31 | 10% Penalty Period |
| January 1 | Lien Date |

The District, in accordance with Generally Accepted Accounting Principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. The District has determined that a $203,900 allowance is necessary. A portion of the net amount estimated to be collectable which was measurable and available within 60 days was recognized as revenue and the balance as deferred inflows of resources.

The balances at June 30, 2022 are as follows:

| | Gross Taxes Receivable | Allowance for Uncollectible Taxes | Net Estimated to be Collectible | Tax Revenue Recognized | Deferred Inflows of Resources |
|---|---|---|---|---|---|
| Real Estate | $ 478,366 | $ - | $ 478,366 | $ 117,074 | $ 361,292 |
| Interims | 15,113 | - | 15,113 | 2,234 | 12,879 |
| Per Capita | 334,256 | 203,900 | 130,356 | 54,844 | 75,512 |
| Earned Income Tax | 475,156 | - | 475,156 | 475,156 | - |
| Realty Transfer | 25,851 | - | 25,851 | 25,851 | - |
| TOTAL | $ 1,328,742 | $ 203,900 | $ 1,124,842 | $ 675,159 | $ 449,683 |

## NOTE 3 - REAL ESTATE AND PER CAPITA TAXES AND UNEARNED INCOME (continued)

In the Balance Sheet - Governmental Funds, the General Fund deferred inflows of resources consists of the following at June 30, 2022:

| | |
|---|---|
| Deferred Inflows of Resources-tax related | $ 449,683 |
| Unearned Income | - |
| TOTAL | $ 449,683 |

## NOTE 4 - DUE FROM OTHER GOVERNMENTS

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

| | General Fund |
|---|---|
| Federal (through the state) | $ 995,872 |
| State | 1,081,436 |
| Other | 264,484 |
| TOTAL | $2,341,792 |

## NOTE 5 - TAX ABATEMENTS/PAYMENTS IN LIEU OF TAXES

The District enters into property tax abatement agreements with the Pennsylvania Game Commission for State Game Lands located within the school district. This payment is made in part from Game Fund revenues in accordance with the Act of May 17, 1929, as amended by Act 1995-49 and provides $0.40 per acre. This payment is also made in part from Pennsylvania Gaming Control Board's State Gaming Fund revenue in accordance with Act 102, which provides an additional $0.80 per acre for State Gaming lands located within the district. The payment in lieu of tax amounted to $23,606 for the year ended June 30, 2022. The District also receives a payment in lieu of taxes on property acquired by the state for the purpose of water conservation on the Swatara Gap State Park project, based on the assessed value of the property of $419,650 at the tax rate of 14.6623. The payment in lieu of taxes amounted to $6,153.

## NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

| | Beginning Balance | Increases | Retirements/ Reclassifications | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets That Are Not Depreciated/Amortized: | | | | |
| Land | $ 538,950 | $ - | $ - | $ 538,950 |
| Construction in Progress | 3,236,241 | 24,111,115 | - | 27,347,356 |
| Total Cost Non-Depreciable Assets | 3,775,191 | 24,111,115 | - | 27,886,306 |
| Capital Assets That Are Depreciated/Amortized: | | | | |
| Right-to-Use Lease Assets - Transportation Vehicles | 17,164,748 | - | - | 17,164,748 |
| Right-to-Use Lease Assets - Computers & Equipment | 416,499 | - | (149,680) | 266,819 |
| Building & Building Improvements | 43,070,472 | - | - | 43,070,472 |
| Furniture & Equipment | 8,147,633 | 348,641 | (5,825) | 8,490,449 |
| Vehicles | 557,317 | 60,537 | (31,315) | 586,539 |
| Total Cost Depreciated Assets | 69,356,669 | 409,178 | (186,820) | 69,579,027 |
| Less Accumulated Depreciation/Amortization for: | | | | |
| Right-to-Use Lease Assets – Transportation Vehicles | (1,907,194) | (1,907,194) | - | (3,814,388) |
| Right-to-Use Lease Assets - Computers & Equipment | (202,393) | (103,257) | 149,680 | (155,970) |
| Building & Building Improvements | (20,700,976) | (949,647) | - | (21,650,623) |
| Furniture & Equipment | (7,371,440) | (189,822) | 5,825 | (7,555,437) |
| Vehicles | (396,871) | (21,883) | 31,315 | (387,439) |
| Total Accumulated Depreciation/ Amortization | (30,578,874) | (3,171,803) | 186,820 | (33,563,857) |
| Net Capital Assets Subject to Depreciation/Amortization | 38,777,795 | (2,762,625) | - | 36,015,170 |
| Governmental Activities, Capital Assets, Net | $ 42,552,986 | $ 21,348,490 | $ - | $ 63,901,476 |

| | Beginning Balance | Increases | Retirements/ Reclassifications | Ending Balance |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital Assets That Are Depreciated: | | | | |
| Equipment | $ 1,060,531 | $ - | $ - | $ 1,060,531 |
| Less Accumulated Depreciation for: | | | | |
| Equipment | (1,031,867) | (4,800) | - | (1,036,667) |
| Net Capital Assets Subject to Depreciation | 28,664 | (4,800) | - | 23,864 |
| Business-Type Activities, Capital Assets, Net | $ 28,664 | $ (4,800) | $ - | $ 23,864 |

## NOTE 7 - GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2022, general long-term debt changed as follows:

| | Beginning Balance | Issued | Redeemed/ Refunded | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| **General Obligation Bonds and Notes:** | | | | | |
| Series A of 2020 | $ 3,339,000 | - | $ (1,473,000) | $ 1,866,000 | $ 1,485,000 |
| Series B of 2020 | 6,889,000 | - | (42,000) | 6,847,000 | 43,000 |
| Series of 2021 | 24,995,000 | - | - | 24,995,000 | 70,000 |
| Series of 2022 | - | 36,000,000 | - | 36,000,000 | - |
| Total bonds & notes payable | $ 35,223,000 | $ 36,000,000 | $ (1,515,000) | $ 69,708,000 | $1,598,000 |
| **Other Liabilities:** | | | | | |
| Leases Payable | $ 15,878,545 | $ - | $ (1,696,408) | $ 14,182,137 | $ 1,743,351 |
| Compensated Absence Benefits | 1,493,426 | 573,913 | (604,619) | 1,462,720 | - |
| Health Care Retirement Benefits | 5,164 | - | (2,931) | 2,233 | 644 |
| Other Postemployment Benefits | 5,295,074 | 526,802 | - | 5,821,876 | - |
| Net Pension Liabilities: | 52,784,000 | - | (5,487,000) | 47,297,000 | - |
| Total Long-Term Liabilities | $ 110,679,209 | $ 37,100,715 | $ (9,305,958) | $ 138,473,966 | $ 3,341,995 |

The payments of general long-term debt are to be funded by the General Fund and Debt Service Fund.

Interest on long-term debt for the year was composed of:

| | |
|---|---|
| Interest paid on bonds | $ 824,948 |
| Interest paid on leases | 376,393 |
| Less interest accrued in the prior year | (215,183) |
| Plus interest accrued in the current year | 486,737 |
| Recognition of loss on refunding | 14,114 |
| Amortization of bond premium | (95,799) |
| Total Interest Expense | $ 1,391,210 |

During the year ended June 30, 2022, the District incurred bond issuance costs of $1,052,167 on the Series of 2022 Bonds which is included with interest expense in the Statement of Activities.

The future annual payments required to amortize the bonds and notes outstanding as of June 30, 2022, including total interest payments are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 1,598,000 | $ 2,043,421 | $ 3,641,421 |
| 2024 | 1,664,000 | 2,363,390 | 4,027,390 |
| 2025 | 1,588,000 | 2,326,136 | 3,914,136 |
| 2026 | 1,625,000 | 2,287,566 | 3,912,566 |
| 2027 | 1,661,000 | 2,247,825 | 3,908,825 |
| 2028-2032 | 8,932,000 | 10,407,199 | 19,339,199 |
| 2033-2037 | 10,585,000 | 8,541,500 | 19,126,500 |
| 2038-2042 | 12,660,000 | 6,467,500 | 19,127,500 |
| 2043-2047 | 15,145,000 | 3,976,025 | 19,121,025 |
| 2048-2052 | 14,250,000 | 1,053,200 | 15,303,200 |
| TOTAL | $ 69,708,000 | $ 41,713,762 | $111,421,762 |

## NOTE 7 - GENERAL LONG-TERM DEBT (continued)

General Obligation Notes, Series A of 2020

On November 23, 2020, the District issued $4,761,000 general obligation Notes. The District issued the Notes (1) to refund the outstanding aggregate principal amount of $4,700,000 of the series general obligation Notes, Series A of 2012, (2) pay the costs of issuing the Notes $22,101. The notes bear interest rates at 1.010% with principal maturities from February 2021 to February 2024. The balance outstanding at June 30, 2022 was $1,866,000. The refunding transaction resulted in an estimated cash flow savings of $125,961 and an estimated economic gain of $121,320.

General Obligation Notes, Series B of 2020

On November 23, 2020, the District issued $6,902,000 general obligation Notes. The District issued the Notes (1) to refund the outstanding aggregate principal amount of $6,795,000 of the series general obligation Notes, Series B of 2012, (2) pay the costs of issuing the notes $43,330. The Notes bear interest rates at 1.578% with principal maturities from February 2021 to February 2029. The balance outstanding at June 30, 2022 was $6,847,000. The refunding transaction resulted in an estimated cash flow savings of $596,433 and an estimated economic gain of $450,148.

General Obligation Bonds, Series of 2021

On April 15, 2021, the District issued $24,995,000 general obligation Bonds. The District issued the Bonds (1) for planning, designing and construction of a new elementary school and renovations and improvements to athletic facilities within the School District, (2) pay the costs of issuing the bonds $359,986. The bonds bear interest rates ranging from 3% to 4% with principal maturities from September 2022 to September 2050. The balance outstanding at June 30, 2022 was $24,995,000.

General Obligation Bonds, Series of 2022

On May 9, 2022, the District issued $36,000,000 general obligation Bonds. The District issued the Bonds (1) for planning, designing and construction of a new elementary school and renovations and improvements to athletic facilities and installation of related equipment, machinery and furnishings, (2) pay the costs of issuing the bonds $1,052,167. The bonds bear interest rates ranging from 4% to 5% with principal maturities from September 2023 to September 2051. The balance outstanding at June 30, 2022 was $36,000,000.

**NOTE 7 - GENERAL LONG-TERM DEBT (continued)**

Compensated Absences

*Vacation* – The District administrators, and classified staff are granted vacation in varying amounts based on individual contracts and on length of service. Employees are allowed to accumulate vacation days and upon termination or retirement, the employee receives a lump sum payout based on the number of days accumulated multiplied by the authorized rate.

*Personal Days* – The District administrators and professional staff are granted 3 days of personal leave annually. A maximum of 2 days may be accumulated and carried over to the following school year. Days accumulated in excess of 2 at the end of a school year will be forfeited.

*Sick Leave* – The District allows all employees to accumulate their unused sick leave as specified in negotiated labor contracts, employee handbooks or individual employment contracts. Employees are entitled to a payout of unused sick leave. Sick leave provisions for each employee group are:

| Group | Days per Year | Accumulation | Lump Sum Payout |
|---|---|---|---|
| Administrators | Per Contract | Unlimited | Per Contract |
| Teachers & Other Licensed Professionals | 10 | Unlimited | Per Negotiated Labor Contract |
| Classified Personnel | 8 – 10 | Unlimited | Per Negotiated Labor Contract |

Post Employment Benefits Other than Pension Benefits

The Board of School Directors adopted a policy to permit members of the administrative team who retire on or after July 1, 1988 to continue group insurance coverage, at the District's expense, on the basis of three months of paid coverage for each full year, or major fraction thereof, of service in the Northern Lebanon School District. Retirement is defined as qualifying for pension or annuity from the Pennsylvania Public School Employees' Retirement System. Persons eligible for dependent coverage at the time of retirement shall be included in such coverage. In the event of death of the retired member before such benefits are exhausted, surviving eligible dependents shall be entitled to continue coverage until such time as the retired member's benefits would have been exhausted. Currently, there are three participants receiving benefits.

## NOTE 8 - LEASES

On April 9, 2019, the District entered into a transportation service contract for use of buses for student transportation within the district. The contract is for ten years starting July1, 2019 and ending June 30, 2029. An initial lease liability was recorded in the amount of $17,164,748. As of June 30, 2022, the value of the lease liability is $14,064,644. The District is required to make monthly minimum payments during the school year which vary from year to year by a cost of living adjustment. During the year ended June 30, 2022, the District made $1,968,068 in operating lease payments for use of assets on this contract. The lease has an imputed interest rate of 2.39%. The transportation vehicles estimated useful life is 10 years as of the contract commencement date. The value of the right-to-use asset as of June 30, 2022 is $17,164,748 with accumulated amortization of $3,814,388 which is included as right-to-use lease asset – transportation vehicles in the capital asset Note 6.

On July 22, 2019, the District entered into an operating lease for staff computers. The lease is for three years starting July 22, 2019 and ending July 22, 2021. An initial lease liability was recorded in the amount of $149,680. The District is required to make annual payments over the lease term. During the year ended June 30, 2022, the District made $51,070 in operating lease payments. The lease has an imputed interest rate of 2.377%. The computers estimated useful life is 3 years as of the contract commencement date. The value of the right-to-use asset as of June 30, 2022 is $149,680 with accumulated amortization of $149,680 which is included as right-to-use lease asset – computers and equipment in the capital asset Note 6. The lease ended on July 22, 2021 and the asset was disposed of.

On July 11, 2019, the District entered into an operating lease for the use of copiers/printers. The lease is for five years starting July 11, 2019 and ending June 11, 2024. An initial lease liability was recorded in the amount of $225,602. The District is required to make monthly payments over the lease term. During the year ended June 30, 2022, the District made $45,280 in operating lease payments. The lease has an imputed interest rate of 2.377%. The copiers/printers estimated useful life is 5 years as of the contract commencement date. The value of the right-to-use asset as of June 30, 2022 is $225,602 with accumulated amortization of $135,361 which is included as right-to-use lease asset – computers and equipment in the capital asset Note 6.

On February 14, 2020, the District entered into an operating lease for the use of office equipment. The lease is for five years starting February 14, 2020 and ending June 3, 2025. An initial lease liability was recorded in the amount of $41,217. The District is required to make quarterly payments over the lease term. During the year ended June 30, 2022, the District made $8,388 in operating lease payments. The lease has an imputed interest rate of 2.39%. The office equipment estimated useful life is 5 years as of the contract commencement date. The value of the right-to-use asset as of June 30, 2022 is $41,217 with accumulated amortization of $20,608 which is included as right-to-use lease asset – computers and equipment in the capital asset Note 6.

**NOTE 8 - LEASES (continued)**

The following is a summary of the maturity of long-term lease obligations:

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal year ended June 30, | | | |
| 2023 | $ 1,743,351 | $ 340,896 | $ 2,084,247 |
| 2024 | 1,844,170 | 296,698 | 2,140,868 |
| 2025 | 1,900,797 | 253,138 | 2,153,935 |
| 2026 | 2,000,415 | 207,783 | 2,208,198 |
| 2027 | 2,112,705 | 159,972 | 2,272,677 |
| 2028-2032 | 2,229,561 | 109,479 | 2,339,040 |
| 2033-2037 | 2,351,138 | 56,192 | 2,407,330 |
| | $ 14,182,137 | $ 1,424,158 | $ 15,606,295 |

**NOTE 9 - PENSION PLAN**

**General Information about the Pension Plan**

Plan Description

The School District contributes to a governmental cost-sharing multi-employer defined benefit pension plan administered by Public School Employees' Retirement System (PSERS). PSERS provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. 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.

**NOTE 9 - PENSION PLAN (continued)**

**General Information about the Pension Plan (continued)**

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with 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 has retired on the day before death.

Contributions
Member contributions rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contributions rates are as follows:

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

Employees who became an active member of PSERS on or after July 1, 2019 are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined the system after June 30, 2019, automatically contribute at the Membership Classes T-G rate of 8.25% (base rate), including a 2.75% defined contribution component, of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component, of the member's qualifying compensation. Membership Class T-G and T-H are

**NOTE 9 - PENSION PLAN (continued)**

**General Information about the Pension Plan (continued)**

**Member Contributions (continued)**
affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

Employer Contributions
The School District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 34.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were $5,594,186 for the year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022, the School District reported a liability of $47,297,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2020 to June 30, 2021. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School District's proportion was .1152 percent, which was an increase of .0080 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of $4,479,000. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between Expected and Actual Experience | $ 35,000 | $ 621,000 |
| Changes in Assumptions | 2,294,000 | - |
| Net Difference between Projected and Actual Investment Earnings | - | 7,529,000 |
| Net Change in Proportions | 2,888,000 | 477,000 |
| Difference between Employer Contributions and Proportionate Share of Total Contributions | - | - |
| Contributions Subsequent to the Measurement Date | 5,594,186 | - |
| Total | $10,811,186 | $8,627,000 |

**NOTE 9 - PENSION PLAN (continued)**

**General Information about the Pension Plan (continued)**

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

$5,594,186 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---|---|
| 2023 | $ (855,000) |
| 2024 | (170,000) |
| 2025 | 47,000 |
| 2026 | (2,432,000) |
| 2027 | - |
| Total | $ (3,410,000) |

Actuarial Assumptions

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

- Valuation date – June 30, 2020.
- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment Return - 7.00%, including inflation of 2.50%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the PSERS Board for use effective with the June 30, 2021 actuarial valuation:
    - Salary growth rate – decreased from 5.00% to 4.50%.
    - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
    - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

**NOTE 9 - PENSION PLAN (continued)**

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Public Equity | 27.0% | 5.2% |
| Private Equity | 12.0% | 7.3% |
| Fixed Income | 35.0% | 1.8% |
| Commodities | 10.0% | 2.0% |
| Absolute Return | 8.0% | 3.1% |
| Infrastructure/MLPs | 8.0% | 5.1% |
| Real Estate | 10.0% | 4.7% |
| Cash | 3.0% | 0.1% |
| Leverage | (13.0%) | 0.1% |
| Total | 100.0% | |

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

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

**NOTE 9 - PENSION PLAN (continued)**

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

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

| | 1 Percent Lower 6.00% | Current Discount 7.00% | 1 Percent Higher 8.00% |
|---|---|---|---|
| School District's Proportionate Share of The Net Pension Liability | $62,079,000 | $47,297,000 | $34,828,000 |

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2022, the School District reported a payable of $1,675,713 for outstanding amount of employer contribution to PSERS required for the year ended June 30, 2022. These amounts relate to the second quarter of 2022 and are payable to PSERS within five business days of the School District receiving its related retirement subsidy from the Commonwealth of Pennsylvania. In addition, the School District also reported a payable of $113,723 for the employee contributions withheld during June 2022 which are payable to PSERS by July 10, 2022.

**NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**GENERAL INFORMATION ABOUT THE OPEB PLAN – MULTIPLE EMPLOYER OPEB PLAN**

**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.

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lessor of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

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

**OPEB Plan Description**

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

**Benefits Provided**

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's Health Option Program. As of June 30, 2021 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, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost 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 $131,541 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of $2,736,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. 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 of all School Districts in the PSERS Plan. At June 30, 2022, the District's proportion was 0.1154% percent, which was an increase of 0.0080% from its proportion measured as of June 30, 2021.

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

For the year ended June 30, 2022, the District recognized an OPEB expense of $200,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between Expected and Actual Experience | $ 25,000 | $ - |
| Changes in Assumptions | 291,000 | 36,000 |
| Net Difference between Projected and Actual Investment Earnings | 5,000 | - |
| Changes in Proportion of the Net OPEB Liability | 190,000 | 29,000 |
| Contributions Subsequent to the Measurement Date | 131,541 | - |
| Total | $ 642,541 | $ 65,000 |

$131,541 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

| Year Ended June 30: | |
|---|---|
| 2023 | $ 80,000 |
| 2024 | 80,000 |
| 2025 | 92,000 |
| 2026 | 71,000 |
| 2027 | 63,000 |
| Thereafter | 60,000 |
| Total | $ 446,000 |

**Actuarial Assumptions**

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50% comprised of inflation of 2.50% and 2.00% for real wage growth and for merit of seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
    - Eligible retirees will elect to participate Pre age 65 at 50%
    - Eligible retirees will elect to participate Post age 65 at 70%

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

**Actuarial Assumptions (continued)**

The following assumptions were used to determine the contribution rate

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**Investments**

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

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

| OPEB Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 79.8% | 0.1% |
| US Core Fixed Income | 17.5% | 0.7% |
| Non-US Developed Fixed | 2.7% | (0.3%) |
| Total | 100.0% | |

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

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

**Discount Rate**

The discount rate used to measure the OPEB liability was 2.18%. Under the OPEB plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual premium assistance. As of June 30, 2021, retirees premium assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2020, 611 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the System net OPEB liability would be if heath cost trend rates were 1-percentage point lower or 1-percentage point higher than the current rate (rounded to the nearest thousandth):

| | 1 Percent Lower | Trend Rate | 1 Percent Higher |
|---|---|---|---|
| School District's Proportionate Share of The Net OPEB Liability | $2,736,000 | $2,736,000 | $2,736,000 |

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

The following presents the net OPEB liability, calculated using a discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage point higher (3.18%) than the current rate:

| | 1 Percent Lower (1.18%) | Trend Rate (2.18%) | 1 Percent Higher (3.18%) |
|---|---|---|---|
| School District's Proportionate Share of The Net OPEB Liability | $3,140,000 | $2,736,000 | $2,403,000 |

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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.

### GENERAL INFORMATION ABOUT THE OPEB PLAN – SINGLE EMPLOYER OPEB PLAN

**Single-Employer Defined Benefit OPEB Plan**
The District's other post-employment benefits (OPEB) include a single-employer defined benefit plan (the "Plan") that provides medical and prescription drug benefits to eligible retired employees, spouses, and dependents. The benefits, benefits level, employee contributions and employer contribution are administered by School District board members and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, an irrevocable trust has not been established to account for the plan. The OPEB Plan does not issue a stand-alone financial report and is not included in the report of any public employee retirement system or any other entity.

**OPEB Plan Membership**
Membership in the OPEB plan at July 1, 2021 consisted of the following:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 20 |
| Active Plan Members | 274 |
| Total | 294 |

**Funding Policy and Funding Status**
The District negotiates the contribution percentage between the district and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the application agreement. The District contributes enough money to the plan to satisfy current obligations on pay-as-you-go basis. The costs of administering the plan are paid by the District. The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments.

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

**Plan Benefits Provided**

The medical, prescription drug, vision, dental, and life insurance plan is a single employer, defined benefit plan. Participants must be eligible to retire under the Public School Employees' Retirement System (PSERS) and meet the minimum requirements of age 55 with 5 years of service (or 10 years for individuals who become members after July 1, 2011). For early retirement employees must attain age 55 with 25 years of PSERS service. For normal retirement employees must attain age 62 with one year of PSERS service, attain age 60 with 30 years of PSERS service, or reach 35 years of service regardless of age. For individuals who became members of PSERS on or after July 1, 2011, employees are eligible upon reaching age 65 with 3 years of service or upon an attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. For disability employees must reach 5 years of PSERS service.

Administrator members and spouses may elect benefits for medical, prescription drug, and dental. For each year of service with the District, the member and spouse may receive 3 months of full paid medical and prescription drug coverage. If the member and/or spouse reach Medicare age and have exhausted benefits at the District's expense, the District will reimburse the member and/or spouse for a Medicare supplement plan (chosen by the member) but not to exceed the amount of the current premiums. In addition to the reimbursements, if the member retired prior to July 1, 2019, the District will also contributes $4,000/year into an HSA during the period that member is receiving fully subsidized coverage. Upon the death of a retiree, the spouse may continue coverage only if benefits at the District's expense are not exhausted. When this benefit is exhausted, the spouse is no longer eligible to remain on the group plan. If the member retires before age 70, the member may elect to continue life insurance in the amount of $10,000 at the group rate by paying the full premium until age 75. Otherwise, if the member retires before age 75, the member may elect to continue life insurance in the amount of $5,000 at the group rate by paying the full premium until age 75.

All other District employees and spouses may elect medical, prescription drug, dental, and vision coverage by paying the full premium. For retirees who pay the full premium and have spouse covered, there is an additional $1,200 spousal surcharge applied. Member coverage ceases upon Medicare age, spouses coverage ceases upon the earlier of Medicare age and member Medicare age.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2022 the District recognized $0 for its share of insurance premiums for currently enrolled retirees because the retirees are paying 100% of the premiums.

**Actuarial Methods and Significant Assumptions**

- Discount rate – 2.28% - based on S&P Municipal Bond 20 year high grade rate index at July 1, 2021.
- Salary – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.50% cost of living adjustment, 1.00% for real wage growth, and for teachers and administrators a merit increase which varies from 0.00% to 2.75%.

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

- Withdrawal – Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.90% for both men and women and decrease with age and service.

| Age | Male Rate | Female Rate | Age | Male Rate | Female Rate |
|---|---|---|---|---|---|
| 25 | 2.57% | 5.02% | 45 | 1.37% | 1.65% |
| 30 | 2.57% | 4.02% | 50 | 1.92% | 2.06% |
| 35 | 1.50% | 2.85% | 55 | 3.38% | 3.11% |
| 40 | 1.34% | 1.60% | 60 | 5.57% | 6.40% |

- Mortality – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Disability – No disability was assumed.
- Retirement – Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.
- Percent of Eligible Retirees Electing Coverage in Plan – 100% of Administrators eligible for a subsidy, 60% of Administrators not eligible for a subsidy, 60% of Teachers, and 50% of the Support Staff are assumed to elect coverage.
- Percent Married at Retirement – 80% of Administrators eligible for a subsidy and 30% of all other employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.
- Spouse Age – Wives are assumed to be two years younger than their husbands.
- Retiree Contributions – Retiree contributions are assumed to increase at the same rate as the Health Care cost Trend Rate.
- Health Care Cost Trend Rate – 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Actuarial Value of Assets – Equal to the market value of assets.
- Actuarial Cost method – Entry Age Normal – Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued liability over the Actuarial Value of Assts. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.
- Changes in Assumptions and benefit terms – The discount rate changed from 1.86% to 2.28%.

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

**OPEB Liability**

The District's OPEB liability has been measured as of July 1, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is $3,085,876, all of which is unfunded. As of June 30, 2022, the OPEB liability of $3,085,876 is related to governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its OPEB liability reported for the year ended June 30, 2022 was as follows:

| | |
|---|---|
| Balances as of July 1, 2020 | $ 2,974,074 |
| Changes for the Year | |
| Interest on total OPEB obligation | 59,137 |
| Service Costs | 269,174 |
| Changes of benefit terms | - |
| Differences between expected and Actual experience | - |
| Changes in assumptions | (98,702) |
| Benefit payments | (117,807) |
| Net changes | 111,802 |
| Balances as of July 1, 2021 | $ 3,085,876 |

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

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

| | 1 Percent Lower | Trend Rate | 1 Percent Higher |
|---|---|---|---|
| School District's Proportionate Share of The Net OPEB Liability | $2,684,510 | $3,085,876 | $3,569,176 |

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using a discount rate of 2.28%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.28%) or 1-percentage point higher (3.28%) than the current rate:

| | 1 Percent Lower (1.28%) | Trend Rate (2.28%) | 1 Percent Higher (3.28%) |
|---|---|---|---|
| School District's Proportionate Share of The Net OPEB Liability | $3,324,362 | $3,085,876 | $2,860,002 |

## NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

For the year ended June 30, 2022, the District recognized OPEB expense of $365,537. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between Expected and Actual Experience | $ 200,347 | $ - |
| Changes in Assumptions | 310,703 | 146,745 |
| Benefit Payments Subsequent to the Measurement Date | 122,734 | - |
| Total | $ 633,784 | $ 146,745 |

$122,734 reported as deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability at July 1, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

| Year Ended June 30: | |
|---|---|
| 2023 | $ 37,226 |
| 2024 | 37,226 |
| 2025 | 37,226 |
| 2026 | 37,226 |
| 2027 | 37,226 |
| Thereafter | 178,175 |
| Total | $ 364,305 |

## NOTE 11 - JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATIONS

**Joint Ventures:**

*Lebanon County Career and Technology Center (LCCTC)* – is a separate legal entity. It was organized by the six public school districts in Lebanon County to provide services in the county. Each of the public school districts appoints one member to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the LCCTC. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The amount paid to LCCTC for the year ended June 30, 2022 was $669,882.

*Lebanon County Vo-Tech School Authority (Vo-Tech Authority)* – is a separate legal entity. The District is also a member of the Vo-Tech Authority (the "Authority) a joint venture with other Lebanon County school districts for the operation of the Authority. The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings. The Authority is controlled by a joint board comprised of representatives school board members of the participating school districts in the LCCTC. The participating schools 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 agreement expires on September 1, 2032, unless the related debt is retired earlier. Each district's share was calculated using assessed market value of real estate. Northern Lebanon School District's allocation is 14.068% of the Series of 2020 bonds and amounts to $898,945 with annual principal payments and semi-annual interest payments at 2.09%.

**NOTE 11 - JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATIONS (continued)**

*Lebanon County Vo-Tech School Authority (Vo-Tech Authority)* –continued
The principal of the bonds matures from September 1, 2020 to 2032. For the year ended June 30, 2022, the district had $79,707 in expenditures under this arrangement.

The District's portion of the future annual rental debt payments are as follows:

| Year Ended June 30 | |
|---|---|
| 2023 | $ 79,791 |
| 2024 | 80,541 |
| 2025 | 80,552 |
| 2026 | 79,836 |
| 2027 | 79,802 |
| 2028-2032 | 406,808 |
| 2033-2037 | 79,604 |
| TOTAL | $ 886,934 |

Both the LCCTC and the Authority prepare financial statements that are available to the public from their administrative office located at 833 Metro Drive, Lebanon, PA 17042.

**Jointly Governed Organizations:**

*Lancaster-Lebanon Intermediate Unit #13 (LLIU)* – is a separate legal entity. It was organized by the constituent school districts in Lancaster and Lebanon counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the LLIU. The District contracts with the LLIU for special education services for District students. The amount paid for these services for the year ended June 30, 2022 was $2,552,631.

*Lancaster-Lebanon Joint Authority (Joint Authority)* – is a separate legal entity. The Joint Authority was incorporated on February 14, 1980 under the Municipality Authorities Act of May 2, 1945, P.L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Joint Authority for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, and/or leasing projects for public school purposes and for purposes of the LLIU. The District paid $0 to the Joint Authority during the year ended June 30, 2022.

*Lebanon County Earned Income Tax Bureau)* – is a separate legal entity. The District and the other Lebanon County school districts and the municipalities represented by those school districts are participating members of the Lebanon County Earned Income Tax Bureau (the "Bureau") for collection of earned income taxes. The Bureau is governed by a 12 member board with 2 members from each school district consisting of one member from the School Board and one member representing all the municipalities in the District. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility.

## NOTE 12 - CONTINGENT LIABILITIES

Grant Programs

The District participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

Construction Contracts

The District has remaining commitments in the amount of $34,545,140 to various contractors for the current capital project outstanding contracts totaled $53,522,663 at June 30, 2022.

Economic Uncertainty

The COVID-19 outbreak has caused a severe impact to the United States economy. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and spread. Therefore, while the District expects this matter to continue to negatively impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.

## NOTE 13 - PARTICIPATION IN RISK SHARING POOL

The District has elected to become a member of a self-insurance pool for worker's compensation insurance with the Lancaster-Lebanon Intermediate Unit No. 13 and twenty-two other school districts. The District entered into an agreement which states that the District pays an annual premium to the fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and to pool worker's compensation and occupational disease insurance risks, reserves, claims and losses and to provide self-insurance and re-insurance thereof. Each member is assessed an amount based on their covered payroll and prior experience of worker's compensation claims. All claims are then paid from the pool with reinsurance being purchased by the pool for claims in excess of $250,000 per occurrence. Claims are paid on an aggregate basis, and separate accounts for each member are not maintained. If there is a deficiency in the pooled funds, each member is assessed an amount equal to their proportional share as described above. As of June 30, 2022, the District is not aware of any additional assessments relating to the fund.

## NOTE 14 - INTERFUND RECEIVABLE/PAYABLE

Interfund receivable and payable balances as of June 30, 2022 consisted of the following:

| | Due from Other Funds | Due to Other Funds |
|---|---|---|
| General Fund | $ 1,623,503 | $ - |
| Capital Projects Fund | - | 1,567,647 |
| Debt Service Fund | - | - |
| Proprietary Fund-Food Services | - | 55,856 |
| TOTAL | $ 1,623,503 | $ 1,623,503 |

These balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## NOTE 15 - INTERFUND TRANSFERS

Interfund Transfers for the year ended June 30, 2022 consisted of the following:

| | Transfer to Other Funds | Transfer from Other Funds |
|---|---|---|
| General Fund | $ 2,339,943 | $ - |
| Capital Projects Fund | - | 576,329 |
| Proprietary Fund-Food Service | - | - |
| Debt Service Fund | - | 1,763,614 |
| Total | $ 2,339,943 | $ 2,339,943 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE 16 - 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, the benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims.

## NOTE 16 - RISK MANAGEMENT (continued)

The District has recorded a liability in the General Fund for claims incurred through June 30, 2022 which has historically been 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, 2022:

| | 2022 |
|---|---|
| Insurance claims liability – beginning of year | $ 205,422 |
| Current year insurance claims and changes in estimates | 3,516,538 |
| Insurance claims paid | (3,462,801) |
| Insurance claims liability – end of year | $ 259,159 |

The medical claims liability is shown as part of accounts payable as of June 30, 2022.

Other Risks

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in the Lancaster-Lebanon Public Schools Insurance Pool for property/casualty insurance, a self-funded property casualty program designed to provide oversight, administrative support, and cost containment strategies. The District has purchased various insurance policies to safeguard its assets from risk or loss. During the year ended June 30, 2022 and the two previous fiscal years, no settlements exceeded insurance coverage.

## NOTE 17 - SUBSEQUENT EVENTS

The District has evaluated events and transactions that occurred between July 1, 2022 and October 29, 2022, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

The COVID-19 outbreak has caused a severe impact to the United States economy. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and spread. Therefore, while the District expects this matter to negatively impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.

## NOTE 18 - RESTATEMENT

During the year, the District adopted GASB Statement No. 87. The District's beginning of the year net position for government-wide funds has been restated to reflect the following:

| | |
|---|---|
| Governmental Activities: | |
| Net Position (Deficit) - Balance at July 1, 2021 | $ (33,751,737) |
| GASB Statement No. 87 Implementation | (406,885) |
| Net Position (Deficit) - Beginning of Year, as Restated | $ (34,158,622) |

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUE FROM LOCAL SOURCES** | | | | |
| Current Real Estate Taxes | $ 20,380,328 | $ 20,380,328 | $ 20,500,248 | $ 119,920 |
| Interim Real Estate Taxes | 45,000 | 45,000 | 88,222 | 43,222 |
| Public Utility Realty Tax | 21,000 | 21,000 | 21,726 | 726 |
| Payment in Lieu of Current Taxes | 31,000 | 31,000 | 29,759 | (1,241) |
| Current Per Capita Taxes - Sec. 679 | 33,000 | 33,000 | 30,817 | (2,183) |
| Current Per Capita Taxes - Act 511 | 33,000 | 33,000 | 30,817 | (2,183) |
| Current Earned Income Taxes | 2,030,000 | 2,030,000 | 2,406,358 | 376,358 |
| Current Real Estate Transfer Taxes | 300,000 | 300,000 | 770,538 | 470,538 |
| Delinquent Real Estate Taxes | 610,000 | 610,000 | 735,271 | 125,271 |
| Delinquent Interim Real Estate Taxes | - | - | 2,852 | 2,852 |
| Delinquent Per Capita Taxes - Sec. 679 | - | - | 12,738 | 12,738 |
| Delinquent Per Capita Taxes - Sec. 511 | - | - | 14,091 | 14,091 |
| Interest on Investments | 50,000 | 50,000 | 14,409 | (35,591) |
| Revenues from Student Activities | 15,000 | 15,000 | 27,459 | 12,459 |
| Fees | 2,500 | 2,500 | 325 | (2,175) |
| Rentals | 15,000 | 15,000 | 2,900 | (12,100) |
| Contributions and Donations from Private Sources | 4,000 | 4,000 | 2,850 | (1,150) |
| Tuition from Patrons | - | - | 119,777 | 119,777 |
| Refunds and Other Miscellaneous Revenue | 9,000 | 9,000 | 153,514 | 144,514 |
| **TOTAL REVENUE FROM LOCAL SOURCES** | 23,578,828 | 23,578,828 | 24,964,671 | 1,385,843 |
| **REVENUE FROM STATE SOURCES** | | | | |
| Basic Instructional Subsidy | 8,373,661 | 8,373,661 | 8,824,589 | 450,928 |
| Charter Schools - Nonpublic | - | - | - | - |
| Tuition for Orphans and Children Placed in Private Homes | 55,000 | 55,000 | 66,453 | 11,453 |
| School Improvement | - | - | - | - |
| Homebound Instruction | - | - | - | - |
| Vocational Education | 70,000 | 70,000 | 113,900 | 43,900 |
| Alternative Education | - | - | - | - |
| Driver Education - Student | - | - | - | - |
| Migratory Children | - | - | - | - |
| Specialized Education of Exceptional Pupils | 1,416,930 | 1,416,930 | 1,471,801 | 54,871 |
| Educational Assistance | - | - | - | - |
| Transportation | 1,481,983 | 1,481,983 | 1,406,438 | (75,545) |
| Rentals and Sinking Fund Payments | 429,880 | 429,880 | 429,881 | 1 |
| Medical, Dental, and Nurse Services | 42,000 | 42,000 | 40,446 | (1,554) |
| State Property Tax | 647,764 | 647,764 | 647,765 | 1 |
| Ready to Learn Grant | 305,011 | 305,011 | 305,011 | - |
| PA Public Schools | - | - | (4,267) | (4,267) |
| Other State Revenue | - | 600 | 92,852 | 92,252 |
| State Share of Social Security and Medicare Taxes | - | - | - | - |
| State Share of Retirement Contributions | 2,725,421 | 2,725,421 | 2,926,654 | 201,233 |
| **TOTAL REVENUE FROM STATE SOURCES** | 15,547,650 | 15,548,250 | 16,321,523 | 773,273 |

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**
**FOR THE YEAR ENDED JUNE 30, 2022**
**(CONTINUED)**

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUE FROM FEDERAL SOURCES** | | | | |
| Individuals with Disabilities Education Act (IDEA) | 606,898 | 606,898 | 648,518 | 41,620 |
| ACCESS | - | - | 20,939 | 20,939 |
| Improving the Academic Achievement of the Disadvantaged, ESEA, Title I | 320,000 | 320,000 | 507,075 | 187,075 |
| ESSEA, Title II | 50,000 | 50,000 | 93,602 | 43,602 |
| Other Grants for ESEA and IDEA Programs | - | - | 33,000 | 33,000 |
| CARES Act - ESSER, GEER | 2,508,664 | 2,508,664 | 1,409,301 | (1,099,363) |
| Education Jobs Fund | - | - | - | - |
| Other Grants-in-Aid Through the Commonwealth | - | - | - | - |
| Other Grants | 30,000 | 30,000 | - | (30,000) |
| **TOTAL REVENUE FROM FEDERAL SOURCES** | 3,515,562 | 3,515,562 | 2,712,435 | (803,127) |
| **TOTAL REVENUES** | 42,642,040 | 42,642,640 | 43,998,629 | 1,355,989 |
| **OTHER FINANCING SOURCES** | | | | |
| Sale or Compensation for Loss of Fixed Assets | - | - | - | - |
| Transfers from Bond Fund | - | - | - | - |
| Insurance Recoveries | - | - | - | - |
| **TOTAL OTHER FINANCING SOURCES** | - | - | - | - |
| **TOTAL REVENUES AND OTHER FINANCING SOURCES** | $ 42,642,040 | $ 42,642,640 | $ 43,998,629 | $ 1,355,989 |

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **EXPENDITURES** | | | | |
| **INSTRUCTION** | | | | |
| **REGULAR PROGRAMS** | | | | |
| Salaries | $ 9,957,318 | $ 9,957,318 | $ 9,680,726 | $ 276,592 |
| Employee Benefits | 6,231,807 | 6,231,807 | 6,286,045 | (54,238) |
| Purchased Professional and Technical Services | 910 | 1,510 | 48,803 | (47,293) |
| Purchased Property Services | 3,100 | 3,650 | 4,063 | (413) |
| Other Purchased Services | 793,105 | 793,444 | 1,209,581 | (416,137) |
| Supplies | 352,245 | 353,383 | 125,164 | 228,219 |
| Property | 12,470 | 8,538 | 19,551 | (11,013) |
| Other Objects | 1,260 | 1,260 | 968 | 292 |
| **TOTAL REGULAR PROGRAMS** | 17,352,215 | 17,350,910 | 17,374,901 | (23,991) |
| **SPECIAL PROGRAMS** | | | | |
| Salaries | 2,113,703 | 2,113,703 | 2,173,823 | (60,120) |
| Employee Benefits | 1,595,889 | 1,595,889 | 1,499,708 | 96,181 |
| Purchased Professional and Technical Services | 1,765,381 | 1,820,954 | 2,645,865 | (824,911) |
| Purchased Property Services | - | - | - | - |
| Other Purchased Services | 1,908,200 | 1,852,527 | 2,478,476 | (625,949) |
| Supplies | 51,872 | 51,972 | 48,643 | 3,329 |
| Property | - | - | - | - |
| Other Objects | 100 | 100 | 75 | 25 |
| **TOTAL SPECIAL PROGRAMS** | 7,435,145 | 7,435,145 | 8,846,590 | (1,411,445) |
| **VOCATIONAL EDUCATION PROGRAMS** | | | | |
| Salaries | 123,226 | 123,226 | 120,468 | 2,758 |
| Employee Benefits | 86,982 | 86,982 | 91,524 | (4,542) |
| Purchased Property Services | 1,400 | 1,400 | 868 | 532 |
| Other Purchased Services | 686,150 | 686,150 | 674,629 | 11,521 |
| Supplies | 18,698 | 18,698 | 16,481 | 2,217 |
| Property | 2,795 | 2,795 | 1,364 | 1,431 |
| Other Objects | 3,450 | 3,450 | 2,814 | 636 |
| **TOTAL VOCATIONAL EDUCATION PROGRAMS** | 922,701 | 922,701 | 908,148 | 14,553 |
| **OTHER INSTRUCTIONAL PROGRAMS** | | | | |
| Salaries | - | - | 28,638 | (28,638) |
| Employee Benefits | - | - | 12,035 | (12,035) |
| Purchased Professional and Technical Services | 113,000 | 113,000 | 100,083 | 12,917 |
| Purchased Property Services | - | - | - | - |
| Other Purchased Services | 4,000 | 4,000 | 2,095 | 1,905 |
| Supplies | - | - | 561 | (561) |
| **TOTAL OTHER INSTRUCTIONAL PROGRAMS** | 117,000 | 117,000 | 143,412 | (26,412) |
| **TOTAL INSTRUCTION** | 25,827,061 | 25,825,756 | 27,273,051 | (1,447,295) |

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**
**FOR THE YEAR ENDED JUNE 30, 2022**
**(CONTINUED)**

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **EXPENDITURES (Continued)** | | | | |
| **SUPPORT SERVICES** | | | | |
| **PUPIL PERSONNEL** | | | | |
| Salaries | 905,001 | 905,001 | 906,629 | (1,628) |
| Employee Benefits | 576,997 | 576,997 | 651,457 | (74,460) |
| Purchased Professional and Technical Services | 2,632 | 2,632 | 2,165 | 467 |
| Purchased Property Services | - | - | - | - |
| Other Purchased Services | 2,850 | 3,195 | 1,845 | 1,350 |
| Supplies | 23,766 | 23,421 | 15,933 | 7,488 |
| Property | 1,600 | 1,600 | 1,600 | - |
| Other Objects | 600 | 600 | 398 | 202 |
| **TOTAL PUPIL PERSONNEL** | 1,513,446 | 1,513,446 | 1,580,027 | (66,581) |
| **INSTRUCTIONAL STAFF** | | | | |
| Salaries | 214,124 | 214,124 | 188,932 | 25,192 |
| Employee Benefits | 368,630 | 368,630 | 353,378 | 15,252 |
| Purchased Professional and Technical Services | - | - | 1,630 | (1,630) |
| Purchased Property Services | - | - | - | - |
| Other Purchased Services | 28,800 | 18,490 | 17,527 | 963 |
| Supplies | 9,909 | 11,295 | 28,279 | (16,984) |
| Property | - | - | - | - |
| Other Objects | 1,100 | 957 | - | 957 |
| **TOTAL INSTRUCTIONAL STAFF** | 622,563 | 613,496 | 589,746 | 23,750 |
| **ADMINISTRATION** | | | | |
| Salaries | 1,290,722 | 1,290,722 | 1,336,392 | (45,670) |
| Employee Benefits | 849,320 | 849,320 | 967,351 | (118,031) |
| Purchased Professional and Technical Services | 156,325 | 156,325 | 114,358 | 41,967 |
| Purchased Property Services | 2,000 | 2,654 | 1,339 | 1,315 |
| Other Purchased Services | 95,550 | 103,720 | 92,482 | 11,238 |
| Supplies | 30,020 | 27,835 | 18,647 | 9,188 |
| Property | - | - | - | - |
| Other Objects | 113,600 | 114,200 | 45,626 | 68,574 |
| **TOTAL ADMINISTRATION** | 2,537,537 | 2,544,776 | 2,576,195 | (31,419) |
| **PUPIL HEALTH** | | | | |
| Salaries | 230,375 | 230,375 | 227,394 | 2,981 |
| Employee Benefits | 161,418 | 161,418 | 155,200 | 6,218 |
| Purchased Professional and Technical Services | 3,430 | 3,430 | 2,440 | 990 |
| Purchased Property Services | 60 | 60 | 878 | (818) |
| Other Purchased Services | 720 | 720 | 150 | 570 |
| Supplies | 1,442 | 1,442 | 221 | 1,221 |
| Property | - | - | - | - |
| Other Objects | 135 | 135 | 130 | 5 |
| **TOTAL PUPIL HEALTH** | 397,580 | 397,580 | 386,413 | 11,167 |

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**
**FOR THE YEAR ENDED JUNE 30, 2022**
**(CONTINUED)**

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **EXPENDITURES (Continued)** | | | | |
| **BUSINESS** | | | | |
| Salaries | 333,964 | 333,964 | 331,685 | 2,279 |
| Employee Benefits | 86,309 | 86,309 | 245,820 | (159,511) |
| Purchased Professional and Technical Services | 15,200 | 15,225 | 11,999 | 3,226 |
| Purchased Property Services | - | 13 | 143 | (130) |
| Other Purchased Services | 2,570 | 2,076 | 2,060 | 16 |
| Supplies | 28,000 | 27,048 | 26,178 | 870 |
| Property | - | - | - | - |
| Other Objects | 3,060 | 3,549 | 2,935 | 614 |
| **TOTAL BUSINESS** | 469,103 | 468,184 | 620,820 | (152,636) |
| **OPERATION AND MAINTENANCE OF THE PLANT** | | | | |
| Salaries | 1,021,742 | 1,021,742 | 1,004,727 | 17,015 |
| Employee Benefits | 761,401 | 761,401 | 687,813 | 73,588 |
| Purchased Professional and Technical Services | 8,650 | (3,579) | 27,311 | (30,890) |
| Purchased Property Services | 434,460 | 475,338 | 512,430 | (37,092) |
| Other Purchased Services | 130,600 | 128,199 | 136,651 | (8,452) |
| Supplies | 619,450 | 608,610 | 790,182 | (181,572) |
| Property | 63,500 | 48,037 | 45,760 | 2,277 |
| Other Objects | 1,350 | 1,405 | 295 | 1,110 |
| **TOTAL OPERATION AND MAINTENANCE OF PLANT** | 3,041,153 | 3,041,153 | 3,205,169 | (164,016) |
| **STUDENT TRANSPORTATION** | | | | |
| Salaries | 36,644 | 36,644 | 37,341 | (697) |
| Employee Benefits | 29,231 | 29,231 | 25,210 | 4,021 |
| Purchased Professional and Technical Services | 25,000 | 25,000 | 25,855 | (855) |
| Other Purchased Services | 2,600,500 | 2,600,500 | 515,274 | 2,085,226 |
| Energy/Supplies | 6,750 | 6,750 | 6,109 | 641 |
| **TOTAL STUDENT TRANSPORTATION** | 2,698,125 | 2,698,125 | 609,789 | 2,085,012 |
| **CENTRAL SUPPORT SERVICES** | | | | |
| Salaries | 323,314 | 323,314 | 335,089 | (11,775) |
| Employee Benefits | 201,446 | 201,446 | 186,283 | 15,163 |
| Purchased Professional and Technical Services | 135,700 | 152,916 | 157,678 | (4,762) |
| Purchased Property Services | 101,805 | 110,205 | 9,010 | 101,195 |
| Other Purchased Services | 122,488 | 104,444 | 79,982 | 24,462 |
| Supplies | 153,050 | 178,050 | 176,792 | 1,258 |
| Property | 748,500 | 716,728 | 705,346 | 11,382 |
| Other Objects | - | - | - | - |
| **TOTAL CENTRAL SUPPORT SERVICES** | 1,786,303 | 1,787,103 | 1,650,180 | 136,923 |

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**
**FOR THE YEAR ENDED JUNE 30, 2022**
**(CONTINUED)**

| | Budgeted Amounts | | Actual | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **EXPENDITURES (Continued)** | | | | |
| **OTHER SUPPORT SERVICES** | | | | |
| Salaries | - | - | - | - |
| Employee Benefits | - | - | - | - |
| Other Purchased Services | - | - | 17,529 | (17,529) |
| Dues and Fees | - | - | 294 | (294) |
| **TOTAL OTHER SUPPORT SERVICES** | - | - | 17,823 | (17,823) |
| **TOTAL SUPPORT SERVICES** | 13,065,810 | 13,063,863 | 11,236,162 | 1,824,377 |
| **OPERATION OF NONINSTRUCTIONAL SERVICES** | | | | |
| **SERVICES** | | | | |
| **FOOD SERVICES** | | | | |
| Salaries | - | - | - | - |
| Supplies | - | - | - | - |
| **TOTAL FOOD SERVICES** | - | - | - | - |
| **STUDENT ACTIVITIES** | | | | |
| Salaries | 332,007 | 328,049 | 401,049 | (73,000) |
| Employee Benefits | 153,586 | 156,291 | 174,429 | (18,138) |
| Purchased Professional and Technical Services | 66,754 | 62,690 | 58,588 | 4,102 |
| Purchased Property Services | 125 | 125 | 1,256 | (1,131) |
| Other Purchased Services | 66,557 | 82,398 | 94,143 | (11,745) |
| Supplies | 74,748 | 64,401 | 61,850 | 2,551 |
| Property | 24,675 | 27,145 | 21,856 | 5,289 |
| Other Objects | 4,260 | 4,865 | 5,276 | (411) |
| **TOTAL STUDENT ACTIVITIES** | 722,712 | 725,964 | 818,447 | (92,483) |
| **COMMUNITY SERVICES** | | | | |
| Salaries | - | - | - | - |
| Employee Benefits | - | - | - | - |
| Purchased Professional and Technical Services | - | - | - | - |
| Other Purchased Services | 6,000 | 6,000 | 9,892 | (3,892) |
| Supplies | - | - | - | - |
| Other Objects | - | - | - | - |
| **TOTAL COMMUNITY SERVICES** | 6,000 | 6,000 | 9,892 | (3,892) |
| **FACILITY** | | | | |
| Purchased Professional and Technical Services | - | - | - | - |
| **TOTAL FACILITY** | - | - | - | - |
| **TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES** | 728,712 | 731,964 | 828,339 | (96,375) |
| **TOTAL EXPENDITURES** | 39,621,583 | 39,621,583 | 39,337,552 | 280,707 |
| **OTHER FINANCING USES** | | | | |
| Interfund Transfers | 2,367,555 | 2,367,555 | 2,339,943 | 27,612 |
| Lease Financing | - | - | 2,072,801 | - |
| Payments to CTC | 87,500 | 87,500 | 79,708 | 7,792 |
| Refund of Prior Year Revenue | - | - | (551,116) | 551,116 |
| **TOTAL OTHER FINANCING USES** | 2,455,055 | 2,455,055 | 3,941,336 | 586,520 |
| **BUDGETARY RESERVE** | 200,000 | 200,000 | - | 200,000 |
| **TOTAL EXPENDITURES AND OTHER FINANCING USES** | $ 42,276,638 | $ 42,276,638 | $ 43,278,888 | $ 1,067,227 |

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**
**LAST 10 FISCAL YEARS**

**Public School Employees' Retirement System (PSERS)**

| | 2022 * | 2021 * | 2020 * | 2019 * | 2018 * | 2017 * | 2016 * | 2015 * |
|---|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability (asset) | 0.1152% | 0.1072% | 0.1090% | 0.1094% | 0.1055% | 0.1037% | 0.1048% | 0.1026% |
| District's proportionate share of the net pension liability (asset) | $ 47,297,000 | $ 52,784,000 | $ 50,993,000 | $ 52,517,000 | $ 52,105,000 | $ 51,390,000 | $ 45,394,000 | $ 40,609,000 |
| District's covered-employee payroll | $ 16,335,446 | $ 15,071,115 | $ 15,031,322 | $ 14,730,918 | $ 14,043,726 | $ 13,433,036 | $ 13,489,000 | $ 13,093,674 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 289.54% | 350.23% | 339.24% | 356.51% | 371.02% | 382.56% | 336.53% | 310.14% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.67% | 54.32% | 55.66% | 54.00% | 51.84% | 50.14% | 54.36% | 57.24% |

* Note - amounts presented for each fiscal year were determined as of the June 30th measurement date as of the prior fiscal year

(1) Data not available prior to fiscal year 2015 implementation of
Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**
**LAST 10 FISCAL YEARS**

**Public School Employees' Retirement System (PSERS)**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 5,594,186 | $ 5,509,119 | $ 5,028,238 | $ 4,888,762 | $ 4,640,487 | $ 4,161,895 | $ 3,411,191 | $ 2,817,998 |
| Contributions in relation to the contractually required contribution | 5,594,186 | 5,509,119 | 5,028,238 | 4,888,762 | 4,640,487 | 4,161,895 | 3,411,191 | 2,817,998 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered employee payroll | $ 16,335,446 | $ 15,071,115 | $ 15,031,322 | $ 14,730,918 | $ 14,043,726 | $ 13,433,036 | $ 13,489,000 | $ 13,093,674 |
| Contributions as a percentage of covered employee payroll | 34.25% | 36.55% | 33.45% | 33.19% | 33.04% | 30.98% | 25.29% | 21.52% |

Note - amounts presented for each fiscal year were determined as of the June 30th measurement date as of the prior fiscal year

(1) Data not available prior to fiscal year 2015 implementation of
Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN**
**YEAR ENDED JUNE 30, 2022**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Valuation Date | July 1, 2020 | July 1, 2020 | July 1, 2018 | July 1, 2018 | July 1, 2017 |
| **Total OPEB Liability** | | | | | |
| Service cost | $ 269,174 | $ 213,986 | $ 213,134 | $ 151,853 | $ 149,137 |
| Interest | 59,137 | 86,907 | 73,316 | 63,561 | 46,841 |
| Changes in benefit terms | - | (35,105) | - | - | - |
| Differences between expected and actual experience in the measurement of the total OPEB liability | - | 37,591 | - | 243,448 | - |
| Changes of assumptions or other inputs | (98,702) | 336,933 | (72,324) | 1,720 | 37,974 |
| Benefit payments | (117,807) | (84,574) | (93,640) | (90,754) | (82,779) |
| Net change in total OPEB liability | 111,802 | 555,738 | 120,486 | 369,828 | 151,173 |
| Total OPEB liability - beginning | 2,974,074 | 2,418,336 | 2,297,850 | 1,928,022 | 1,776,849 |
| Total OPEB liability - ending | $ 3,085,876 | $ 2,974,074 | $ 2,418,336 | $ 2,297,850 | $ 1,928,022 |
| Covered payroll | $ 14,082,893 | $ 14,082,893 | $ 14,382,972 | $ 14,382,972 | $ 13,014,467 |
| Total OPEB liability as a percentage of covered payroll | 21.91% | 21.12% | 16.81% | 15.98% | 14.81% |

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate in effect at the current measurement date is 2.28%.

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available

(1) Data not available prior to fiscal year 2018 implementation of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

* Ratios not provided

See report on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY - PSERS**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| District's proportion of the net OPEB liability | 0.1154% | 0.1074% | 0.1090% | 0.1094% | 0.1055% |
| District's proportionate share of the net OPEB liability | $ 2,736,000 | $ 2,321,000 | $ 2,318,000 | $ 2,281,000 | $ 2,149,000 |
| District's covered-employee payroll | $ 16,364,081 | $ 15,071,115 | $ 15,031,322 | $ 14,730,918 | $ 14,043,726 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 16.72% | 15.40% | 15.42% | 15.48% | 15.30% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.30% | 5.69% | 5.56% | 5.56% | 5.73% |

Data not available prior to fiscal year 2018 implementation of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

See report on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS**
**FOR THE YEAR ENDED JUNE 30, 2022**
**LAST 10 FISCAL YEARS**

**Public School Employees' Retirement System (PSERS)**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 131,541 | $ 134,514 | $ 126,442 | $ 124,758 | $ 122,264 |
| Contributions in relation to the contractually required contribution | 131,541 | 134,514 | 126,442 | 124,758 | 122,264 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| District's covered employee payroll | $ 16,364,081 | $ 15,071,115 | $ 15,031,322 | $ 14,730,602 | $ 14,043,726 |
| Contributions as a percentage of covered employee payroll | 0.80% | 0.89% | 0.84% | 0.85% | 0.87% |

Data not available prior to fiscal year 2018 implementation of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

See paragraph on supplementary schedules included in auditors' report.

**NORTHERN LEBANON SCHOOL DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor Project Title | Source Code | Federal Assistance Listing Number | Pass-through Grantor's Number | Grant Period Beginning/ Ending Date | Grant Amount | Accrued (Unearned) Revenue at June 30, 2021 | Total Received for the Year | Expenditures | Accrued (Unearned) Revenue at June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **U.S. Department of Agriculture** | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | |
| COVID-19 National School Lunch Program | I/F | 10.555 | 113-38-500-3 | 07/01/21-06/30/22 | N/A | $ 93,417 | $ 1,018,727 | $ 946,781 | $ 21,471 |
| COVID-19 Supply Chain Assistance | I/F | 10.555 | 113-38-500-3 | 07/01/21-06/30/22 | N/A | - | 46,085 | 46,085 | - |
| COVID-19 SNP Emergency Operating Costs | I/F | 10.555 | 113-38-500-3 | 07/01/21-06/30/22 | N/A | - | 16,242 | 16,242 | - |
| COVID-19 National School Breakfast Program | I/F | 10.553 | 113-38-500-3 | 07/01/21-06/30/22 | N/A | 25,366 | 201,061 | 181,532 | 5,837 |
| **Total Passed through the Pennsylvania Department of Education** | | | | | | 118,783 | 1,282,115 | 1,190,640 | 27,308 |
| Passed through the Pennsylvania Department of Agriculture National School Lunch Program | | | | | | | | | |
| Food Distribution (Note 2) | I/F | 10.555 | N/A | 07/01/21-06/30/22 | N/A | (12,699) A | 89,048 B | 90,308 C | (11,439) D |
| **Total U.S. Department of Agriculture - Child Nutrition Cluster** | | | | | | 106,084 | 1,371,163 | 1,280,948 | 15,869 |
| **U.S. Department of Agriculture** | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | |
| COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants | I/F | 10.649 | 113-38-500-3 | 07/01/21-06/30/22 | N/A | - | 614 | 614 | - |
| **Total U.S. Department of Agriculture** | | | | | | 106,084 | 1,371,777 | 1,281,562 | 15,869 |
| **U.S. Department of Education** | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | |
| Title I Grants to Local Educational Agencies | I/F | 84.010 | 013-220298 | 08/31/21-09/30/22 | 507,075 | - | 440,115 | 507,075 | 66,960 |
| Supporting Effective Instruction State Grant | I/F | 84.367 | 020-220298 | 08/31/21-09/30/22 | 87,919 | - | 69,500 | 87,919 | 18,419 |
| Supporting Effective Instruction State Grant | I/F | 84.367 | 020-210298 | 08/21/20-09/30/22 | 65,157 | 3,832 | 14,162 | 10,330 | - |
| Student Support and Academic Enrichment | I/F | 84.424 | 144-220298 | 08/31/21-09/30/22 | 25,161 | - | 10,777 | 25,147 | 14,370 |
| Student Support and Academic Enrichment | I/F | 84.424 | 144-210298 | 08/21/20-09/30/21 | 25,807 | - | 9,217 | 9,217 | - |
| COVID-19 Educational Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act | I/F | 84.425W | 181-212295 | 07/01/21-09/30/24 | 16,849 | - | 1,296 | - | (1,296) |
| COVID-19 Educational Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act | I/F | 84.425D | 200-200298 | 03/13/20-09/30/22 | 279,500 | 73,553 | 73,553 | - | - |
| COVID-19 Educational Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act | I/F | 84.425D | 200-210298 | 03/13/20-09/30/23 | 1,235,519 | 72,252 | 976,811 | 866,736 | (37,823) |
| COVID-19 Educational Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act | I/F | 84.425U | 223-210298 | 03/13/20-09/30/24 | 2,499,097 | - | 136,314 | 468,309 | 331,995 |
| COVID-19 Educational Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act | I/F | 84.425U | 225-210298 | 03/13/20-09/30/24 | 194,236 | - | 10,595 | - | (10,595) |
| COVID-19 Educational Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act | I/F | 84.425C | 254-200298 | 03/13/20-09/30/22 | 38,066 | 32,056 | 32,056 | - | - |
| **Total U.S. Department of Education Passed through the Pennsylvania Department of Education** | | | | | | $ 181,693 | $ 1,774,396 | $ 1,974,733 | $ 382,030 |

See auditors' report and accompanying notes to the schedule of expenditures of federal awards.

**NORTHERN LEBANON SCHOOL DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2022**
**(CONTINUED)**

| Federal Grantor Project Title | Source Code | Federal Assistance Listing Number | Pass-through Grantor's Number | Grant Period Beginning/ Ending Date | Grant Amount | Accrued (Unearned) Revenue at July 1, 2021 | Total Received for the Year | Expenditures | Accrued (Unearned) Revenue at June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **U.S. Department of Education** | | | | | | | | | |
| Passed through the Lancaster-Lebanon Intermediate Unit #13 | | | | | | | | | |
| Title III, Part A - English Language Acquisition Grants | I/F | 84.365 | 113-385003 | 07/01/20-09/30/21 | $ 2,132 | $ 2,132 | $ - | $ 263 | $ 2,395 |
| | | | | | | 2,132 | - | 263 | 2,395 |
| Special Education - Grants to States (IDEA, Part B) | I/F | 84.027 | 062-22-0-013 | 07/01/21-09/30/22 | 559,368 | - | - | 559,368 | 559,368 |
| Special Education - Preschool Grants (IDEA, Preschool) | I/F | 84.173 | 131-21-0-013 | 07/01/21-06/30/22 | 2,634 | - | - | 2,634 | 2,634 |
| Special Education - Preschool Grants (IDEA, Preschool) | I/F | 84.173 | 131-20-0-013 | 07/01/20-06/30/21 | 1,755 | 1,755 | 1,755 | - | - |
| | | | | | | 1,755 | 1,755 | 562,002 | 562,002 |
| **U.S. Department of Education** | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | |
| COVID-19 Special Education - Grants to States (IDEA, Part B) | I/F | 84.027 | 252-200298 | 07/01/20-09/30/22 | 17,671 | - | 11,781 | - | (11,781) |
| **Total U.S. Department of Education - Special Education Cluster** | | | | | | 1,755 | 13,536 | 562,002 | 550,221 |
| **Total U.S. Department of Education Passed through the Lancaster-Lebanon Intermediate Unit #13** | | | | | | 3,887 | 13,536 | 562,265 | 552,616 |
| **Total U.S. Department of Education** | | | | | | 185,580 | 1,787,932 | 2,536,998 | 934,646 |
| **Total Expenditures of Federal Awards** | | | | | | $ 291,664 | $ 3,159,709 | $ 3,818,560 | $ 950,515 |

Legend
I = Indirect Funding
F = Federal Share

See auditors' report and accompanying notes to the schedule of expenditures of federal awards.

**NORTHERN LEBANON SCHOOL DISTRICT**
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**JUNE 30, 2022**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent they are included in the federal financial reports used as the source for the data presented. Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The District has not elected to use the 10 percent *de minimis* cost rate in CFR 200.414 Indirect (F&A) costs.

## NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the School District had food commodities totaling $11,439 in inventory and commodities donated were $89,048.

A = Beginning inventory at July 1, 2021.
B = Total amount of commodities received from the Department of Agriculture.
C = Total amount of commodities used.
D = Ending inventory at June 30, 2022.

## NOTE 3 - OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

No amounts were provided to sub-recipients.

The 2021 Schedule of Expenditures of Federal Awards omitted $206,070 of expenditures of federal awards from U.S. Department of Treasury, Passed through the Pennsylvania Commission on Crime and Delinquency, ALN 21.019, Covid-19 Coronavirus Relief Fund, pass through grantor's number 33444.

# Crowley & Halloran, CPAs, P.C.

*Certified Public Accountants, Auditors, and Consultants*
215 Washington Street, Suite 100, Watertown, NY 13601
Phone: (315) 788-3140 Fax: (315) 782-5321
www.crowleyhalloran.com

Michael W. Crowley, CPA*
Pamela J. Halloran, CPA*

* Licensed in NY & PA

Members of:
AICPA
NYSSCPA
Government Audit Quality Center
Employee Benefit Plan Audit Quality Center


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

To the Board of School Directors
Northern Lebanon School District
Fredericksburg, PA

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 Northern Lebanon School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Northern Lebanon School District's basic financial statements and have issued our report thereon dated October 29, 2022.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Lebanon School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Lebanon School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Lebanon 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 over financial reporting was for the limited purpose described in the first paragraph in 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.

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

### Compliance and Other Matters

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

### Purpose of this Report

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

**Crowley & Halloran, CPAs, P.C.**

Pamela Halloran CPA

By: Pamela J. Halloran, CPA
October 29, 2022

# Crowley & Halloran, CPAs, P.C.

*Certified Public Accountants, Auditors, and Consultants*
215 Washington Street, Suite 100, Watertown, NY 13601
Phone: (315) 788-3140 Fax: (315) 782-5321
www.crowleyhalloran.com

Michael W. Crowley, CPA*
Pamela J. Halloran, CPA*

* Licensed in NY & PA

Members of:
AICPA
NYSSCPA
Government Audit Quality Center
Employee Benefit Plan Audit Quality Center


## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of School Directors
Northern Lebanon School District
Fredericksburg, PA

### Report on Compliance for Each Major Federal Program

***Opinion on Each Major Federal Program***

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

In our opinion, Northern Lebanon 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, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

### Report on Internal Control over Compliance

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

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

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

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

**Crowley & Halloran, CPAs, P.C.**

Pamela Halloran, CPA

By: Pamela J. Halloran, CPA
October 29, 2022

**NORTHERN LEBANON SCHOOL DISTRICT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**JUNE 30, 2022**

## SECTION I - SUMMARY OF AUDITORS' RESULTS

**Financial Statements**

1. The auditors' report expresses an unmodified opinion on the general purpose financial statements of Northern Lebanon School District.

2. No deficiencies were identified during the audit of the general purpose financial statements of Northern Lebanon School District that were determined to be material weaknesses.

3. No significant deficiencies were reported in internal control over financial reporting of the general purpose financial statements of Northern Lebanon School District.

4. No instances of noncompliance material to the financial statements of Northern Lebanon School District were disclosed during the audit.

**Federal Awards**

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

6. The auditors' report on compliance for the major federal award programs for Northern Lebanon School District expresses an unmodified opinion on the programs tested as major federal programs.

7. No audit findings relative to the major federal award programs for Northern Lebanon School District that are required to be reported in accordance with 2 CFR Section 200.516(a) reported in this Schedule.

8. The programs tested as major programs include:

   **Identification of major programs**

| Federal Assistance Listing Number(s) – (CFDA) | Name of Federal Program or Cluster |
|---|---|
| 10.555 | National School Lunch Program |
| 10.553 | National School Breakfast Program |
| 84.425 | Education Stabilization Fund |

9. The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

10. Northern Lebanon School District was not determined to be a low-risk auditee.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**None noted**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**None noted**

**NORTHERN LEBANON SCHOOL DISTRICT**
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**JUNE 30, 2022**

**None Noted**