

# Hempfield School District

Year Ended June 30, 2020



**Hempfield School District**  
 Financial Statements with Supplementary Information  
 Year Ended June 30, 2020

TABLE of CONTENTS

	Page
<b>Independent Auditors' Report</b>	1 & 2
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis	3 - 13
<b>Basic Financial Statements</b>	
Statement of Net Position	14 & 15
Statement of Activities	16 & 17
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21 & 22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25 & 26
Statement of Net Position - Fiduciary Funds	27
Statement of Changes in Net Position - Fiduciary Funds	28
Notes to Financial Statements	29 - 66
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	67

**Hempfield School District**  
 Financial Statements with Supplementary Information  
 Year Ended June 30, 2020

TABLE of CONTENTS  
 (Continued)

	Page
<b>Required Supplementary Information (Continued)</b>	
Notes to Required Supplementary Information	68
Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios - Single-Employer Defined Benefit OPEB Plan	69
Notes to Required Supplementary Information - Single-Employer Defined Benefit OPEB Plan	70
Schedule of Employer Contributions - Public School Employee's Retirement System (PSERS) Health Insurance Premium Assistance Plan	71
Notes to Required Supplementary Information - PSERS Health Insurance Premium Assistance Plan	72
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability - PSERS Health Insurance Premium Assistance Plan	73
Schedule of Employer Contributions - Public School Employees' Retirement System	74
Schedule of School District's Proportionate Share of the Net Pension Liability - Public School Employees' Retirement System	75
Notes to Required Supplementary Information	76
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards	77 - 80
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 <i>Government Auditing Standards</i>	81 & 82
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance	83 - 85
Schedule of Findings and Questioned Costs	86 & 87
Summary Schedule of Prior Audit Findings	88
Corrective Action Plan	89 & 90



## INDEPENDENT AUDITORS' REPORT

To the Board of School Directors  
**Hempfield School District**  
Lancaster County, Pennsylvania

### Report on the Financial Statements

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 **Hempfield School District** (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, the budgetary comparison information on pages 67 and 68, the other postemployment benefits (OPEB) health care benefits plan information on pages 69 through 73, and the pension information on pages 74 through 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The schedule of expenditures of federal awards 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 as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of **Hempfield School District's** internal control over financial reporting and 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 **Hempfield 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 **Hempfield School District's** internal control over financial reporting and compliance.



December 4, 2020  
Lancaster, Pennsylvania

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
Year Ended June 30, 2020

The management's discussion and analysis of **Hempfield School District's** financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the notes to the basic financial statements and the financial statements as a whole to enhance the understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2020 are as follows:

- Total governmental and business-type assets and deferred outflows of resources increased \$5.5 million to \$215.1 million. Cash and investment balances increased \$16.7 million while the value of net capital assets declined \$4.8 million primarily as a result of \$5.7 million of depreciation expense with only \$.9 million of capital additions placed into service during the fiscal year. Deferred outflows of resources related to the pension liability decreased \$4.0 million. Total governmental and business-type liabilities increased by \$4.1 million due to the \$5.7 increase in bonds payable, net of unamortized discount and premium.
- Total governmental activities revenues totaled \$125.1 million. General revenues accounted for \$102.5 million, or 82% of this total, while program specific charges for services, grants, or contributions represented \$22.6 million or 18%. Governmental revenues increased \$2.2 million from last year. Total tax revenues increased \$2.4 million while investment earnings decreased \$300,000.
- The School District had \$123.3 million in expenses related to governmental activities; \$22.6 million of these expenses were offset by program specific charges for services, grants, or contributions. General revenues, including \$86.4 million of taxes, provided for these expenses. Net position decreased \$1.8 million for governmental activities. Pension and OPEB expenses of approximately \$2.8 million are recorded on the government-wide financial statements as a result of GASB 68 and 75, but are not recognized in the fund financial statements.
- Among major funds, the general fund had \$124.9 million in revenues and \$120.8 million in expenditures and transfers. This resulted in an increase of \$4.1 million in the general fund balance, increasing the general fund's fund balance to \$18.9 million.
- Coronavirus Disease 2019 (COVID-19) appeared in China in late 2019 and was first confirmed in the United States in January 2020. Pennsylvania Governor Tom Wolf announced on March 13, 2020 that effective March 16, 2020, all K-12 Pennsylvania schools would be closed for 10 business days. These pandemic orders were extended for school districts through the end of the school year, June 30, 2020. All non-essential businesses were also ordered to be closed causing major disruptions for all industries.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand **Hempfield School District** as a financial whole.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**USING THIS ANNUAL REPORT (Continued)**

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how the services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds including proprietary and fiduciary fund statements. In the case of **Hempfield School District**, the general fund is the most significant fund.

**Reporting the School District as a Whole**

Our analysis for the School District as a whole begins on page 5. One of the most important questions asked about the School District's finances is, "Have our financial results this year improved or diminished our overall financial position?" The statement of net position and the statement of activities report information about the School District as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities, as well as deferred outflows and inflows of resources, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors.

In the statement of net position and the statement of activities, the School District's financial information is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food services and day care operations are reported as business-type activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the School District as a whole. The School District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**USING THIS ANNUAL REPORT (Continued)**

**Reporting the School District's Most Significant Funds (Continued)**

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are reconciled in the financial statements.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Proprietary funds report activities that the School District operates like a business.

**Fiduciary Funds** - The School District is a trustee or agent for assets that belong to others, such as the scholarship fund and the student activity fund. These activities are excluded from the district-wide financial statements because the School District cannot use these assets to finance its operations.

**THE SCHOOL DISTRICT as a WHOLE**

**Statement of Net Position**

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2020 compared to 2019:

**Table 1**  
**Net Position at June 30**  
(In Millions)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>						
Current Assets	64.7	49.8	.2	(.3)	64.9	49.5
Noncurrent Assets	<u>126.5</u>	<u>130.5</u>	<u>.0</u>	<u>.8</u>	<u>126.5</u>	<u>131.3</u>
<b>Total Assets</b>	<b>191.2</b>	<b>180.3</b>	<b>.2</b>	<b>.5</b>	<b>191.4</b>	<b>180.8</b>
<b>Deferred Outflow of Resources</b>	<b>23.2</b>	<b>28.2</b>	<b>.5</b>	<b>.6</b>	<b>23.7</b>	<b>28.8</b>

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Statement of Net Position (Continued)**

**Table 1 (Continued)**  
**Net Position at June 30**  
(In Millions)

	Governmental		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
<b>Liabilities</b>						
Current Liabilities	26.8	27.4	.2	.1	27.0	27.5
Noncurrent Liabilities	<u>290.4</u>	<u>289.6</u>	<u>4.1</u>	<u>4.2</u>	<u>294.5</u>	<u>293.8</u>
<b>Total Liabilities</b>	<b>317.2</b>	<b>317.0</b>	<b>4.3</b>	<b>4.3</b>	<b>321.5</b>	<b>321.3</b>
<b>Deferred Inflows of Resources</b>	<b>8.7</b>	<b>4.9</b>	<b>.2</b>	<b>.1</b>	<b>8.9</b>	<b>5.0</b>
<b>Net Position</b>						
Net Investment in Capital Assets	41.5	41.4	.8	.8	42.3	42.2
Unrestricted (Deficit)	<u>(153.1)</u>	<u>(154.8)</u>	<u>(4.6)</u>	<u>(4.1)</u>	<u>(157.7)</u>	<u>(158.9)</u>
<b>Total Net Position</b>	<b>(111.6)</b>	<b>(113.4)</b>	<b>(3.8)</b>	<b>(3.3)</b>	<b>(115.4)</b>	<b>(116.7)</b>

**Analysis of Table 1:**

The School District's combined total net position reflects aggregated total liabilities and deferred inflow balances which exceed combined total asset and deferred outflow balances by \$115.4 million on June 30, 2020. Because the net pension liability and the net OPEB liability as required by GASB 68 and GASB 75, respectively, are included in the long-term liabilities, the result is a negative net position for both fiscal years. Recognizing the School District's proportionate share of these liabilities and the related deferred inflows and outflows adds a net liability to the government wide financial statements in the amount of \$188.2 million for 2020.

**Governmental Activities**

- Current assets increased \$14.9 million which was primarily due to a \$10.7 million increase in investments as a result of bond proceeds.
- Noncurrent assets decreased \$4.0 million, from \$130.5 million to \$126.5 million. This decrease is a result primarily of the recognition of \$5.6 million annual depreciation expense as well as the addition of new assets and the disposition of assets no longer in use.

**Business-Type Activities**

- Net position of the business-type activities decreased \$500,000. Included in the decreased net position was depreciation of \$104,000, net pension expense recognized in the amount of \$49,000 and \$8,000 of additional OPEB expense. The effect of the COVID-19 pandemic significantly impacted food service operations when all revenues ceased but operations continued in an effort to provide meals to students.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Statement of Activities**

**Table 2**  
**Changes in Net Position at June 30**  
(In Millions)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	1.0	1.5	1.6	2.1	2.6	3.6
Operating Grants	20.6	20.0	1.7	1.9	22.3	21.9
Capital Grants	1.0	1.0	.0	.0	1.0	1.0
General Revenues:						
Property and Other Taxes	86.4	84.0	.0	.0	86.4	84.0
Grants and Entitlements	15.0	14.7	.0	.0	15.0	14.7
Other	<u>1.1</u>	<u>1.7</u>	<u>.0</u>	<u>(.1)</u>	<u>1.1</u>	<u>1.6</u>
<b>Total Revenues</b>	<b>125.1</b>	<b>122.9</b>	<b>3.3</b>	<b>3.9</b>	<b>128.4</b>	<b>126.8</b>
<b>Expenses</b>						
Program Expenses:						
Instruction	85.3	83.8	.0	.0	85.3	83.8
Support Services:						
Instructional Student Support	9.1	9.2	.0	.0	9.1	9.2
Administrative and Financial						
Support Services	11.5	10.9	.0	.0	11.5	10.9
Operation and Maintenance of						
Plant Services	7.8	8.0	.0	.0	7.8	8.0
Pupil Transportation	4.1	5.2	.0	.0	4.1	5.2
Student Activities	1.9	2.0	.0	.0	1.9	2.0
Interest on Long-Term Debt	2.6	2.6	.0	.0	2.6	2.6
Unallocated Depreciation Expense	1.0	.9	.0	.0	1.0	.9
Food Service and Day Care Operations	<u>.0</u>	<u>.0</u>	<u>3.8</u>	<u>4.0</u>	<u>3.8</u>	<u>4.0</u>
<b>Total Expenses</b>	<b>123.3</b>	<b>122.6</b>	<b>3.8</b>	<b>4.0</b>	<b>127.1</b>	<b>126.6</b>
<b>Increase (Decrease) in Net Position</b>	<b>1.8</b>	<b>.3</b>	<b>(.5)</b>	<b>(.1)</b>	<b>1.3</b>	<b>.2</b>

The statement of activities shows the cost of program services and the charges for services and grants offsetting those costs. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Statement of Activities (Continued)**

**Table 3**  
**Governmental Activities at June 30**  
(In Millions)

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Instruction	85.3	83.8	69.4	68.0
Support Services:				
Instructional Student Support	9.1	9.2	8.0	8.1
Administrative and Financial Support Services	11.5	10.9	10.0	9.9
Operation and Maintenance of Plant Services	7.8	8.0	7.2	7.3
Pupil Transportation	4.1	5.2	2.0	2.8
Student Activities	1.9	2.0	1.5	1.5
Interest on Long-Term Debt	2.6	2.6	1.6	1.6
Unallocated Depreciation Expense	<u>1.0</u>	<u>.9</u>	<u>1.1</u>	<u>.9</u>
<b>Total Governmental Activities</b>	<b>123.3</b>	<b>122.6</b>	<b>100.8</b>	<b>100.1</b>

**Analysis of Tables 2 and 3:**

**Governmental Activities**

Program revenues are used to partially offset the costs of governmental activities. The program revenues which offset expenses this year included:

- Charges for services included tuition for non-resident students, fees for extra programs and extracurricular activities, rental charges, admission paid to athletic events, and transportation services provided to other local LEA's.
- Operating grants and contributions included state subsidies for special education, transportation, and employee benefits, as well as federal and state grants for specific programs.
- Capital grants included state subsidies which fund a portion of the debt service principal and interest expenses.

There is heavy reliance on tax revenues to fund the operations of the School District. The community, as a whole, is by far the primary financial support for Hempfield School District.

- Property, earned income, and other taxes provided \$86.4 million, or 84.2% of the \$102.6 million general governmental revenues. Program related grants, subsidies and charges for services provided \$22.6 million of funding for program expenses, and \$16.2 million of additional grants, subsidies, interest, and other revenues provided for other expenses after the offset of asset disposals.
- Total tax revenues increased \$2.4 million due primarily to the increase of property tax revenue. The millage applied to the assessed valuation increased from 16.0034 in 2019 to 16.3474 in 2019-2020, a 2.15% index-based increase.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Governmental Activities (Continued)**

Total expenses for governmental activities have increased by \$712,000. Salary and benefit increases led to increased expenses of \$520,000 which was less than budgeted due to the COVID-19 school closures. Although the School District continued to pay all staff their contracted wages through June 30, 2020, the District did not incur the typical extra hours in the spring of 2020. PSERS retirement costs continue to rise leading to increased expenses of approximately \$530,000. The employer rate increased from 33.43% in 2018-2019 to 34.29% in 2019-2020. As a result of COVID-19, medical and dental services were shut down for several months and claims were not incurred by our members. As a result, medical and dental claims decreased by \$668,000 in 2019-2020 compared to 2018-2019.

**Business-Type Activities**

Business-type activities consist of food service operations and the child care venture. The child nutrition programs had revenues, including state and federal support, of \$2.9 million, and expenses of \$3.4 million for the fiscal year 2020, which resulted in a loss of \$504,000 for food service operations. Of this amount, \$104,000 represents depreciation expense and \$57,000 as additional pension and OPEB expenses. On a cash basis, food service recognized actual operating losses of approximately \$343,000. Although food service operations had been showing improvement compared to prior years, the impacts of the COVID-19 pandemic shutdown were significant, ultimately resulting in a loss. It remains a challenge but is still the goal that the food service operations be able to operate in the positive and not need to rely on support from the general fund. Child care operations during 2019-2020 resulted in a final profit of \$68,000, excluding transfers, for 2019-2020.

**THE SCHOOL DISTRICT'S FUNDS**

Information about the School District's major funds starts on page 18. The governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had total revenues of \$125.0 million and expenditures of \$122.3 million. Other financing sources provided \$12.2 million, resulting in an increase to total fund balances of \$14.9 million.

**General Fund**

The general fund balance increased by \$4.0 million to a total of \$18.9 million. Commitments have been made by the board under GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to identify and protect contingent resources to address needs in some critical areas. \$3.0 million has been committed to manage future increases in retirement contributions to PSERS, \$2.0 million has been assigned for future capital projects, and \$3.9 million has been assigned to offset the budgeted 2020-2021 loss as a result of COVID-19. Nonspendable fund balance is \$880,000 leaving approximately \$9.1 million remaining as unassigned fund balance.

With these transactions recorded, the unassigned fund balance test yields a 7.2% fund balance against the 2019-2020 budgeted expenditures, which is within the 8% legal restriction. The assigned, committed and unassigned amounts in the fund balance provide some contingency amounts, if needed, to deal with increasing costs and future liabilities. The unassigned fund balance also assists in meeting the following fiscal year's obligations until real estate taxes are collected. Maintaining a healthy fund balance is important for a positive bond rating, as well as potential resources to deal with unanticipated financial challenges as they may occur.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**THE SCHOOL DISTRICT'S FUNDS (Continued)**

**Debt Service Fund**

The debt service fund had a net increase of \$63,000 this year, leaving the ongoing fund balance at \$4.6 million. As historic low interest rates continued, the School District was able to manage debt in a proactive manner to take advantage of refinance opportunities by refunding Series 2012, 2012A and 2015A bonds and by issuing \$10 million of new money in preparation of various capital projects including renovations and upgrades to all school buildings in the district.

**Capital Project Fund**

The capital reserve fund and bond construction fund total balance increased by \$10.8 million to \$18.4 million primarily as a result of issuing \$10 million of GO Bonds, Series 2020AA. In prior years, the School District had utilized capital reserve funds for spending needs related to major repair and small construction projects identified in a five-year plan. Because the district began a feasibility study in 2019, capital expenditures have continued to be minimal pending the final report of necessary district upgrades to existing buildings. Because of COVID-19, the feasibility and enrollment studies were temporarily halted with plans to resume in 2020-2021. Capital expenditures in 2019-2020 were \$566,000.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School District's general fund budget is prepared according to Pennsylvania law and is based on accounting for transactions as prescribed by the modified accrual basis of accounting.

During the course of fiscal year 2020, the School District managed School District expenditures based on its general fund budget. At the end of the fiscal year, the board approved certain budgetary transfers to be made as needed, to comply with statutory requirements to update commitments and assignments of fund balance. Although the 2019-2020 budget included a \$2 million transfer from general fund to capital reserve, this transfer was not made as a result of COVID-19. These funds were left in general fund to help offset the budgeted deficit in 2020-2021.

For the general fund, actual revenues were \$124.8 million, which was approximately \$466,000 less than the original budget estimates for revenues. Local sourced revenues were \$743,000 less than budget, primarily due to weakened investment income as interest rates plummeted throughout the year. Investment income resulted in almost \$276,000 earnings under the budgeted revenue. State revenues of \$33.5 million and federal revenues of \$1.4 million were comparable to budget.

Actual expenditures for the year were \$120.8 million, \$112.8 million of that amount for instructional and operational expenses and \$8.0 million for fund transfers and debt service. These amounts were approximately \$5.1 million less than the budgeted expenses. As a result of the COVID-19 pandemic mandatory school shutdown, all non-essential spending was also shutdown with purchases primarily focused on essential safety and Personal Protective Equipment (PPE) type of purchases. Supplies and utilities normally consumed were not needed or utilized during the school building closure. The district experienced \$1.2 million in savings on transportation costs due to remote learning for all students through the end of the 2019-2020 school year.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**CAPITAL ASSETS and DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2020, the School District had \$126.5 million invested in land, buildings, equipment, vehicles, and construction in progress in combined governmental and business-type activities. Table 4 shows the fiscal year 2020 balance compared to 2019.

**Table 4**  
**Capital Assets at June 30**  
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	4.7	4.7	.0	.0	4.7	4.7
Building and Building Improvements	111.4	115.8	.0	.0	111.4	115.8
Furniture, Equipment, and Vehicles	9.5	9.9	.8	.8	10.3	10.7
Construction in Progress	<u>.1</u>	<u>.1</u>	<u>.0</u>	<u>.0</u>	<u>.1</u>	<u>.1</u>
<b>Total Capital Assets</b>	<b>125.7</b>	<b>130.5</b>	<b>.8</b>	<b>.8</b>	<b>126.5</b>	<b>131.3</b>

Property and equipment additions were \$900,000 for the year 2019-2020. Although there have been no major building projects in recent years, the District is planning for necessary upgrades to existing systems to extend the useful lives of School District buildings pending the conclusion of the feasibility study. Annual depreciation expense of \$5.7 million was recorded.

**Debt Administration**

Because the Federal tax reform eliminated tax-exempt advance refundings, in December 2017, the School District executed a forward interest swap agreement with a bank counterparty intended to hedge interest rate risk on the future issuance of bonds to refund the outstanding 2012 and 2012A bonds. The School District worked closely with financial advisors and refunded these bonds in February 2020.

At June 30, 2020, the School District had \$87.7 million in bonds outstanding, with \$6.1 million in principal due within one year. Table 5 summarizes bonds outstanding:

**Table 5**  
**Outstanding Debt at Year End**  
(In Millions)

	Governmental Activities	
	2020	2019
General Obligation Bonds:		
2012 Bond Financing	.0	24.7
2012A Note Refinancing	.0	6.3
2015A Bond Refinancing	.0	7.4
2016 Bond Refinancing	8.4	8.4
2016A Bond Refinancing	6.8	8.1
2017 Bond Refinancing	8.9	8.9
2019A Bond Refinancing	13.8	15.6
2019AA Bond Refinancing	5.6	6.4

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**CAPITAL ASSETS and DEBT ADMINISTRATION (Continued)**

**Table 5 (Continued)**  
**Outstanding Debt at Year End**  
(In Millions)

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
2020A Bond Refinancing	34.2	.0
2020AA Bond Financing	<u>10.0</u>	<u>.0</u>
	<b>87.7</b>	<b>85.8</b>

**FOR the FUTURE**

**Hempfield School District** continues to be strong financially. As the preceding information shows, the School District maintains a healthy investment in fixed assets to support and provide comprehensive educational services, considers future implications of current and ongoing financial obligations, and prudently manages its financial assets. At the time these financial statements were prepared and audited, the School District was aware of several existing circumstances that could impact its future financial health.

The major factor affecting the School District continues to be the ongoing effects of COVID-19. The pandemic that closed schools for the last 4 months of the 2019-2020 school year has created significant uncertainties going forward. Whereas revenues remained consistent in 2019-2020, expenses were significantly under budget resulting in \$4 million revenues over expenses. This planned surplus has been assigned to offset the budgeted losses in 2020-2021. The current unsettled economy continues to create financial uncertainties for the School District in providing in person or remote learning. The District continues to purchase all necessary PPE to safely clean schools and to protect staff and students from the spread this disease.

While School District enrollment has stayed fairly consistent over the past few years, there are several known residential building projects in various planning phases within District boundaries over the next several years. As a result, the District contracted with a vendor for both short and long-term enrollment projections. School District enrollment is holding at approximately 7,000 students. The School District also contracted with a vendor to perform a feasibility study looking at all district buildings to assess building capacity and necessary upgrades, taking into account code compliance criteria, safety and security concerns, interior and exterior conditions, condition of systems (plumbing and fire protection, electrical, as well as heating, ventilation and air conditioning (HVAC)). The information gained from the combination of the feasibility study findings and enrollment projections will enable the district to identify and prioritize building needs across the district.

As a result of this feasibility study, the District is planning to prioritize significant expenditures to upgrade existing buildings to extend the useful lives of the current structures. The projected range of necessary upgrades within 0-5 years was estimated at a cost of \$75 - \$95 million. As a result of the preliminary reporting, on November 12, 2019, the Board of School Directors approved a Parameters Resolution for \$50 million of new money to begin the process of upgrading district wide buildings. January 2020 would be the earliest timeframe in which the bonds could be issued. The work on both the feasibility and enrollment studies was halted as a result of the COVID-19 pandemic. At this point, the priority of needs is still unknown. Administration and the School Board will continue to work closely with the enrollment and feasibility vendors to determine priority of upgrades.

On November 12, 2019, the Hempfield Board of School Directors and the Hempfield Education Association ratified a 5-year Collective Bargaining Agreement (CBA). The prior agreement expired at the end of the prior school year.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2020

**FOR the FUTURE (Continued)**

The agreement provides for an annual salary increase of 2.8 percent over the life of the contract. In the area of healthcare, HEA has agreed to higher deductibles and prescription copays, and a new method of calculating premium share. Other key items negotiated include tuition reimbursement, workday rules, extracurricular stipends, and professional development time.

The number of students requiring special education services continues to increase. As of December 1, 2019, special education students comprised 18.8% of total enrollment (up from 17.7% of total enrollment at December 1, 2018). The costs to provide special education services to a greater number of School District students is escalating, but the subsidy funding from the Commonwealth has not kept pace with the rising expenses.

Act 1 of 2006 puts a ceiling on the amount of real estate taxes a school district can levy. Act 1 base index for 2020-2021 was 2.6% with the adjusted allowable index going to 3.0%. Because the COVID-19 pandemic financially impacted the residents of the District, the School District passed its 2020-2021 budget with a 0% tax increase. However, the District did experience significant assessment growth in the 2019-2020 school year, \$36 million increase in the tax base resulting in .75% growth over the 2018-2019 year. There are numerous residential and commercial building projects underway within district boundaries. Administration will continue to watch the growth trends as tax revenues will be essential in the district's ability to fund the necessary building renovations.

Across the state of Pennsylvania, there is still uncertainty surrounding the future of real estate taxes as there is a desire to enact legislation for Property Tax Reform. Because the School District is heavily reliant on local funding, 72% of the revenue budget coming from local sources, there is continued concern about the loss of the School District's ability to levy taxes and keep collections at the local level. At this time, there is no proposal at the State level that is being considered, but this is an area that we will continue to watch closely.

Although the growth in the employer contribution rate has slowed, the cost of mandated employee retirement benefits through the Pennsylvania Public School Employees' Retirement System (PSERS) continues to burden school districts. PSERS was established as a defined benefit pension plan funded by employer and employee contributions. The employer contribution rate has grown annually since the 2008-2009 rate of 4.76% increasing to the rate of 34.51% for the 2020-2021 fiscal year. Effective July 1, 2019, Act 5 legislation created new classes of membership with employees having the option to select a defined benefit (DB) plan, defined contribution (DC) plan, or a hybrid plan with both DB and DC components. Although this will be a positive change long-term to lower the expense to school districts, it will take many years for any relief to be recognized. PSERS rates are estimated to continue increasing to a projected 38.17% employer expense in the 2027-2028 school year.

In conclusion, **Hempfield School District** has committed itself to financial and educational excellence for many years. The School District's system of budgeting and internal controls are well regarded and consistently followed. All that we do must be evaluated from a long-term and strategic perspective to continue to meet the increasing demands and effectively address the financial pressures we face. Continued diligence in all financial matters will be a key component of continued financial performance well into the future.

**CONTACTING the SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it received. If you have questions about this report or need additional financial information please contact the Director of Finance at **Hempfield School District**, 200 Church Street, Landisville, PA 17538.

# Hempfield School District

## STATEMENT of NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 15,331,631	\$ 3,290	\$ 15,334,921
Investments	41,361,971	139,203	41,501,174
Taxes Receivable, net	2,528,041	-0-	2,528,041
Current Portion of Internal Balances	(20,923)	20,923	-0-
Due from Other Governments	5,159,206	-0-	5,159,206
Other Current Assets	289,264	343	289,607
Inventories	-0-	40,305	40,305
<b>Total Current Assets</b>	<b>64,649,190</b>	<b>204,064</b>	<b>64,853,254</b>
<b>Noncurrent Assets</b>			
Long-Term Portion of Internal Balances	771,290	(771,290)	-0-
Non-Depreciable Capital Assets	4,765,000	-0-	4,765,000
Depreciable Capital Assets, net	120,975,454	765,643	121,741,097
<b>Total Noncurrent Assets</b>	<b>126,511,744</b>	<b>(5,647)</b>	<b>126,506,097</b>
<b>TOTAL ASSETS</b>	<b>191,160,934</b>	<b>198,417</b>	<b>191,359,351</b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Pension	21,813,000	445,000	22,258,000
Other Postemployment Benefits	1,432,000	29,000	1,461,000
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b>\$ 23,245,000</b>	<b>\$ 474,000</b>	<b>\$ 23,719,000</b>

See notes to financial statements.

# Hempfield School District

## STATEMENT of NET POSITION

(Continued)

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 2,458,226	\$ 59,287	\$ 2,517,513
Current Portion of Long-Term Debt	6,135,000	-0-	6,135,000
Accrued Salaries and Benefits	13,843,291	-0-	13,843,291
Compensated Absences, Due Within One Year	970,470	25,906	996,376
Accrued Interest on Long-Term Debt	790,000	-0-	790,000
Payroll Deductions and Withholdings	712,306	-0-	712,306
Due to Other Governments	1,404,015	-0-	1,404,015
Unearned Revenues	459,103	130,453	589,556
Other Current Liabilities	62,170	-0-	62,170
<b>Total Current Liabilities</b>	<b>26,834,581</b>	<b>215,646</b>	<b>27,050,227</b>
<b>Noncurrent Liabilities</b>			
Net Pension Liability	181,829,000	3,711,000	185,540,000
Bonds Payable, net of Unamortized Discount and Premium	88,574,719	-0-	88,574,719
Accrued Retirement Bonuses	839,476	1,260	840,736
Long-Term Portion of Compensated Absences	1,930,822	48,498	1,979,320
Net Other Postemployment Benefit (OPEB) Liability	17,216,000	351,000	17,567,000
<b>Total Noncurrent Liabilities</b>	<b>290,390,017</b>	<b>4,111,758</b>	<b>294,501,775</b>
<b>TOTAL LIABILITIES</b>	<b>317,224,598</b>	<b>4,327,404</b>	<b>321,552,002</b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Gain on Bond Refunding, net of Accumulated Amortization	124,757	-0-	124,757
Pension	7,581,000	155,000	7,736,000
Other Postemployment Benefits	1,034,000	21,000	1,055,000
<b>TOTAL DEFERRED INFLOWS of RESOURCES</b>	<b>8,739,757</b>	<b>176,000</b>	<b>8,915,757</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	41,553,896	765,643	42,319,539
Unrestricted (Deficit)	(153,112,317)	(4,596,630)	(157,708,947)
<b>TOTAL NET POSITION</b>	<b>\$ (111,558,421)</b>	<b>\$ (3,830,987)</b>	<b>\$ (115,389,408)</b>

See notes to financial statements.

## Hempfield School District

### STATEMENT of ACTIVITIES

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 85,325,178	\$ 87,069	\$ 15,867,137	\$ -0-	\$ (69,370,972)	\$ -0-	\$ (69,370,972)
Instructional Student Support	9,114,597	-0-	1,080,208	-0-	(8,034,389)	-0-	(8,034,389)
Administrative and Financial Support Services	11,463,518	76,870	1,324,984	-0-	(10,061,664)	-0-	(10,061,664)
Operation and Maintenance of Plant Services	7,756,151	77,489	493,753	-0-	(7,184,909)	-0-	(7,184,909)
Pupil Transportation	4,136,542	521,956	1,636,274	-0-	(1,978,312)	-0-	(1,978,312)
Student Activities	1,875,742	216,849	191,582	-0-	(1,467,311)	-0-	(1,467,311)
Community Services	9,458	-0-	9,458	-0-	-0-	-0-	-0-
Interest on Long-Term Debt	2,557,715	-0-	-0-	962,949	(1,594,766)	-0-	(1,594,766)
Depreciation - Unallocated *	1,076,414	-0-	-0-	-0-	(1,076,414)	-0-	(1,076,414)
<b>Total Governmental Activities</b>	<b>123,315,315</b>	<b>980,233</b>	<b>20,603,396</b>	<b>962,949</b>	<b>(100,768,737)</b>	<b>-0-</b>	<b>(100,768,737)</b>
Business-Type Activities:							
Food Service	3,433,815	1,198,043	1,656,469	-0-	-0-	(579,303)	(579,303)
Child Care	365,316	432,865	-0-	-0-	-0-	67,549	67,549
<b>Total Business-Type Activities</b>	<b>3,799,131</b>	<b>1,630,908</b>	<b>1,656,469</b>	<b>-0-</b>	<b>-0-</b>	<b>(511,754)</b>	<b>(511,754)</b>
<b>Total Government</b>	<b><u>\$ 127,114,446</u></b>	<b><u>\$ 2,611,141</u></b>	<b><u>\$ 22,259,865</u></b>	<b><u>\$ 962,949</u></b>	<b>\$ (100,768,737)</b>	<b>\$ (511,754)</b>	<b>\$ (101,280,491)</b>

\* Excludes depreciation charged directly to various functions.

See notes to financial statements.

## Hempfield School District

### STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					\$ 77,394,571	\$ -0-	\$ 77,394,571
Public Utility Realty and Earned Income Taxes Levied for General Purposes, net					9,018,553	-0-	9,018,553
Unrestricted Grants and Subsidies					15,027,152	-0-	15,027,152
Unrestricted Investment Earnings					858,678	3,295	861,973
Miscellaneous Income					310,332	2	310,334
Loss on Fixed Asset Dispositions					(15,015)	-0-	(15,015)
Transfers In (Out)					(4,207)	4,207	-0-
					<b>102,590,064</b>	<b>7,504</b>	<b>102,597,568</b>
					<b>1,821,327</b>	<b>(504,250)</b>	<b>1,317,077</b>
<b>NET POSITION</b>							
Beginning					(113,379,748)	(3,326,737)	(116,706,485)
Ending					<b>\$ (111,558,421)</b>	<b>\$ (3,830,987)</b>	<b>\$ (115,389,408)</b>

See notes to financial statements.

**Hempfield School District**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Capital Project Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,998,730	\$ -0-	\$ 7,138,850	\$ 13,137,580
Investments	22,898,500	4,556,318	11,209,585	38,664,403
Taxes Receivable, net	2,528,041	-0-	-0-	2,528,041
Due from Other Funds	16,742	-0-	76,870	93,612
Interfund Advances Receivable	771,290	-0-	-0-	771,290
Due from Other Governments	5,159,206	-0-	-0-	5,159,206
Other Receivables	91,054	-0-	-0-	91,054
Prepaid Expenses	108,821	-0-	-0-	108,821
<b>TOTAL ASSETS</b>	<b><u>37,572,384</u></b>	<b><u>4,556,318</u></b>	<b><u>18,425,305</u></b>	<b><u>60,554,007</u></b>
<b>LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	1,452,593	-0-	4,165	1,456,758
Due to Other Funds	97,792	-0-	16,595	114,387
Accrued Salaries and Benefits	13,843,291	-0-	-0-	13,843,291
Payroll Deductions and Withholdings	712,306	-0-	-0-	712,306
Due to Other Governments	1,404,015	-0-	-0-	1,404,015
Unearned Revenues	459,103	-0-	-0-	459,103
Other Liabilities	62,170	-0-	-0-	62,170
<b>TOTAL LIABILITIES</b>	<b><u>18,031,270</u></b>	<b><u>-0-</u></b>	<b><u>20,760</u></b>	<b><u>18,052,030</u></b>
<b>DEFERRED INFLOWS of RESOURCES</b>				
Delinquent Real Estate Taxes	<b>652,104</b>	<b>-0-</b>	<b>-0-</b>	<b>652,104</b>
<b>FUND BALANCES</b>				
Nonspendable	880,111	-0-	-0-	880,111
Restricted	-0-	-0-	10,647,918	10,647,918
Committed	3,000,000	-0-	-0-	3,000,000
Assigned	5,900,000	4,556,318	7,756,627	18,212,945
Unassigned	9,108,899	-0-	-0-	9,108,899
<b>TOTAL FUND BALANCES</b>	<b><u>18,889,010</u></b>	<b><u>4,556,318</u></b>	<b><u>18,404,545</u></b>	<b><u>41,849,873</u></b>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>	<b><u>\$ 37,572,384</u></b>	<b><u>\$ 4,556,318</u></b>	<b><u>\$ 18,425,305</u></b>	<b><u>\$ 60,554,007</u></b>

See notes to financial statements.

**Hempfield School District**  
 RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET  
 to the STATEMENT of NET POSITION  
 June 30, 2020

Total fund balances - governmental funds	\$ 41,849,873
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>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 \$220,032,264 and the accumulated depreciation is \$94,291,810.</p>	125,740,454
<p>Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</p>	3,979,392
<p>Property taxes receivable are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>	652,104
<p>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:</p>	
Net Pension Liability	(181,829,000)
Bonds Payable	(87,690,000)
Accrued Interest on Long-Term Debt	(790,000)
Bond Discount, net of Amortization	61,868
Bond Premium, net of Amortization	(7,081,587)
Net Other Postemployment Benefit (OPEB) Liability	(17,216,000)
Accrued Retirement Bonuses	(839,476)
Compensated Absences	(2,901,292)
<p>Deferred inflows of resources - pension, OPEB, and gain on bond refinancing are not due and collectable in the current period and, therefore, are not reported in the funds.</p>	(8,739,757)
<p>Deferred outflows of resources - pension and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.</p>	23,245,000
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (111,558,421)</u></b>

See notes to financial statements.

# Hempfield School District

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

Year Ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Capital Project Fund	
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 77,260,143	\$ -0-	\$ -0-	\$ 77,260,143
Other Taxes	8,978,553	-0-	-0-	8,978,553
Investment Earnings	724,300	68,998	65,380	858,678
Other Revenue	<u>2,927,282</u>	<u>-0-</u>	<u>-0-</u>	<u>2,927,282</u>
Total Local Sources	89,890,278	68,998	65,380	90,024,656
State Sources	33,517,658	-0-	-0-	33,517,658
Federal Sources	<u>1,442,940</u>	<u>-0-</u>	<u>-0-</u>	<u>1,442,940</u>
<b>Total Revenues</b>	<b>124,850,876</b>	<b>68,998</b>	<b>65,380</b>	<b>124,985,254</b>
<b>EXPENDITURES</b>				
Instructional Services	80,076,911	-0-	-0-	80,076,911
Support Services	30,898,765	-0-	-0-	30,898,765
Noninstructional Services	1,846,865	-0-	-0-	1,846,865
Capital Outlay	-0-	-0-	565,884	565,884
Debt Service	-0-	8,885,800	-0-	8,885,800
Miscellaneous	<u>3,855</u>	<u>-0-</u>	<u>-0-</u>	<u>3,855</u>
<b>Total Expenditures</b>	<b>112,826,396</b>	<b>8,885,800</b>	<b>565,884</b>	<b>122,278,080</b>
<b>EXCESS (DEFICIENCY) of REVENUES     over EXPENDITURES</b>	<b>12,024,480</b>	<b>(8,816,802)</b>	<b>(500,504)</b>	<b>2,707,174</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding Bond Proceeds	-0-	34,155,000	-0-	34,155,000
Bond Proceeds	-0-	10,000,000	-0-	10,000,000
Payments to Refunded Bond				
Escrow Agent	-0-	(36,843,951)	-0-	(36,843,951)
Swap Termination Payment	-0-	(1,650,550)	-0-	(1,650,550)
Premium on Bonds	-0-	6,013,165	-0-	6,013,165
Transfers In (Out)	<u>(7,982,686)</u>	<u>(2,793,595)</u>	<u>11,270,271</u>	<u>493,990</u>
<b>Net Other Financing Sources (Uses)</b>	<b>(7,982,686)</b>	<b>8,880,069</b>	<b>11,270,271</b>	<b>12,167,654</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>4,041,794</b>	<b>63,267</b>	<b>10,769,767</b>	<b>14,874,828</b>
<b>FUND BALANCES</b>				
Beginning	<u>14,847,216</u>	<u>4,493,051</u>	<u>7,634,778</u>	<u>26,975,045</u>
Ending	<u><b>\$ 18,889,010</b></u>	<u><b>\$ 4,556,318</b></u>	<u><b>\$ 18,404,545</b></u>	<u><b>\$ 41,849,873</b></u>

See notes to financial statements.

## Hempfield School District

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of  
REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES  
to the STATEMENT of ACTIVITIES  
Year Ended June 30, 2020

Total net changes in fund balances - governmental funds \$ 14,874,828

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeds capital outlays in the period is as follows:

Remaining Basis of Capital Assets Sold or Retired	(15,015)	
Depreciation Expense	(5,555,726)	
Capital Outlays	785,795	(4,784,946)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenue increased by this amount this year. 174,428

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. (47,980,841)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 42,230,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. \$ (75,000)

See notes to financial statements.

## Hempfield School District

### RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES to the STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2020

In the statement of activities, certain operating expenses (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

\$ (185,705)

In the statement of activities, certain operating expenses (e.g., retirement bonuses) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

71,512

In the statement of activities, deferred inflows of resources - OPEB, deferred outflows of resources - OPEB, and OPEB expense are recognized in conjunction with net OPEB liability. Whereas in the governmental funds, OPEB expense is recorded when required contributions are payable. This amount represents the current OPEB obligation expense over amounts payable.

(358,000)

In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with net pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable. This amount represents the current pension obligation expense over amounts payable.

(2,350,000)

The internal service funds, which are used by management to charge the costs of services to individual funds, are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The change in net position of the internal service funds is allocated among the governmental activities.

205,051

#### **CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES**

**\$ 1,821,327**

See notes to financial statements.

# Hempfield School District

## STATEMENT of NET POSITION -

### PROPRIETARY FUNDS

June 30, 2020

	Enterprise Funds			
	Major Fund Food Service Fund	Nonmajor Fund	Total Enterprise	Internal Service Funds
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 3,290	\$ -0-	\$ 3,290	\$ 2,194,051
Investments	139,203	-0-	139,203	2,697,568
Due from Other Funds	-0-	20,923	20,923	-0-
Other Receivables	343	-0-	343	89,241
Inventories	40,305	-0-	40,305	-0-
<b>Total Current Assets</b>	<b>183,141</b>	<b>20,923</b>	<b>204,064</b>	<b>4,980,860</b>
<b>Noncurrent Assets</b>				
Furniture and Equipment, net of Accumulated Depreciation	765,643	-0-	765,643	-0-
<b>TOTAL ASSETS</b>	<b>948,784</b>	<b>20,923</b>	<b>969,707</b>	<b>4,980,860</b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>				
Pension	445,000	-0-	445,000	-0-
Other Postemployment Benefits	29,000	-0-	29,000	-0-
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b>474,000</b>	<b>-0-</b>	<b>474,000</b>	<b>-0-</b>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	<b>1,422,784</b>	<b>20,923</b>	<b>1,443,707</b>	<b>4,980,860</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	38,364	20,923	59,287	1,001,468
Compensated Absences, Due Within One Year	25,906	-0-	25,906	-0-
Unearned Revenues	130,453	-0-	130,453	-0-
<b>Total Current Liabilities</b>	<b>194,723</b>	<b>20,923</b>	<b>215,646</b>	<b>1,001,468</b>
<b>Noncurrent Liabilities</b>				
Interfund Advances Payable	771,290	-0-	771,290	-0-
Accrued Retirement Bonuses	1,260	-0-	1,260	-0-
Net Pension Liability	3,711,000	-0-	3,711,000	-0-
Net Other Postemployment Benefits (OPEB) Liability	351,000	-0-	351,000	-0-
Long-Term Portion of Compensated Absences	48,498	-0-	48,498	-0-
<b>Total Noncurrent Liabilities</b>	<b>4,883,048</b>	<b>-0-</b>	<b>4,883,048</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>5,077,771</b>	<b>20,923</b>	<b>5,098,694</b>	<b>1,001,468</b>
<b>DEFERRED INFLOWS of RESOURCES</b>				
Pension	155,000	-0-	155,000	-0-
Other Postemployment Benefits	21,000	-0-	21,000	-0-
<b>TOTAL DEFERRED INFLOWS of RESOURCES</b>	<b>176,000</b>	<b>-0-</b>	<b>176,000</b>	<b>-0-</b>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES</b>	<b>5,253,771</b>	<b>20,923</b>	<b>5,274,694</b>	<b>1,001,468</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	765,643	-0-	765,643	-0-
Unrestricted (Deficit)	(4,596,630)	-0-	(4,596,630)	3,979,392
<b>TOTAL NET POSITION</b>	<b>\$ (3,830,987)</b>	<b>\$ -0-</b>	<b>\$ (3,830,987)</b>	<b>\$ 3,979,392</b>

See notes to financial statements.

## Hempfield School District

### STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION - PROPRIETARY FUNDS

Year Ended June 30, 2020

	Enterprise Funds			
	<u>Major Fund</u>			
	Food Service Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>				
Food Service Revenue	\$ 1,056,901	\$ -0-	\$ 1,056,901	\$ -0-
Charges for Services	138,230	432,865	571,095	12,562,321
Miscellaneous	2,914	-0-	2,914	-0-
<b>Total Operating Revenues</b>	<b>1,198,045</b>	<b>432,865</b>	<b>1,630,910</b>	<b>12,562,321</b>
<b>OPERATING EXPENSES</b>				
Salaries	1,210,096	-0-	1,210,096	-0-
Employee Benefits	813,985	-0-	813,985	11,921,114
Purchased Professional and Technical Services	132,051	-0-	132,051	-0-
Other Purchased Services	504	365,316	365,820	-0-
Supplies	1,164,577	-0-	1,164,577	-0-
Depreciation	104,173	-0-	104,173	-0-
Other Operating Expenses	8,429	-0-	8,429	-0-
<b>Total Operating Expenses</b>	<b>3,433,815</b>	<b>365,316</b>	<b>3,799,131</b>	<b>11,921,114</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,235,770)</b>	<b>67,549</b>	<b>(2,168,221)</b>	<b>641,207</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Earnings	3,295	-0-	3,295	62,041
State Sources	314,224	-0-	314,224	-0-
Federal Sources	1,342,245	-0-	1,342,245	-0-
<b>Net Nonoperating Revenues</b>	<b>1,659,764</b>	<b>-0-</b>	<b>1,659,764</b>	<b>62,041</b>
<b>Income (Loss) Before Transfers</b>	<b>(576,006)</b>	<b>67,549</b>	<b>(508,457)</b>	<b>703,248</b>
<b>TRANSFERS IN (OUT)</b>	<b>71,756</b>	<b>(67,549)</b>	<b>4,207</b>	<b>(498,197)</b>
<b>CHANGES in NET POSITION</b>	<b>(504,250)</b>	<b>-0-</b>	<b>(504,250)</b>	<b>205,051</b>
<b>NET POSITION</b>				
Beginning	<u>(3,326,737)</u>	<u>-0-</u>	<u>(3,326,737)</u>	<u>3,774,341</u>
<b>Ending</b>	<b><u>\$ (3,830,987)</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ (3,830,987)</u></b>	<b><u>\$ 3,979,392</u></b>

See notes to financial statements.

# Hempfield School District

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

Year Ended June 30, 2020

	Enterprise Funds			
	Major Fund			
	Food Service Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS from OPERATING ACTIVITIES</b>				
Cash Received from Users	\$ 1,281,313	\$ 432,865	\$ 1,714,178	\$ 13,162,321
Cash Payments to Employees for Services	(889,985)	-0-	(889,985)	-0-
Cash Payments for Employee Benefits	(756,985)	-0-	(756,985)	(12,122,978)
Cash Payments to Suppliers for Goods and Services	(1,079,871)	(365,316)	(1,445,187)	-0-
Cash Payments for Other Operating Expenses	(8,429)	-0-	(8,429)	(434)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,453,957)</b>	<b>67,549</b>	<b>(1,386,408)</b>	<b>1,038,909</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Acquisitions	(51,546)	-0-	(51,546)	-0-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(51,546)</b>	<b>-0-</b>	<b>(51,546)</b>	<b>-0-</b>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>				
State Sources	314,159	-0-	314,159	-0-
Federal Sources	1,155,182	-0-	1,155,182	-0-
Interfund Transfers	71,756	(67,549)	4,207	-0-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>1,541,097</b>	<b>(67,549)</b>	<b>1,473,548</b>	<b>-0-</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>				
Investment Earnings	3,295	-0-	3,295	62,041
Decrease to Investment Pools	(39,369)	-0-	(39,369)	(47,665)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(36,074)</b>	<b>-0-</b>	<b>(36,074)</b>	<b>14,376</b>
<b>INCREASE (DECREASE) in CASH and CASH EQUIVALENTS</b>	<b>(480)</b>	<b>-0-</b>	<b>(480)</b>	<b>1,053,285</b>
<b>CASH and CASH EQUIVALENTS</b>				
Beginning of Year	3,770	-0-	3,770	1,140,766
<b>End of Year</b>	<b>\$ 3,290</b>	<b>\$ -0-</b>	<b>\$ 3,290</b>	<b>\$ 2,194,051</b>

See notes to financial statements.

# Hempfield School District

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

(Continued)

Year Ended June 30, 2020

	<b>Enterprise Funds</b>			
	<u>Major Fund</u>			
	<b>Food Service</b>	<b>Nonmajor</b>	<b>Total Enterprise</b>	<b>Internal Service</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>
<b>RECONCILIATION of OPERATING INCOME</b>				
<b>(LOSS) to NET CASH PROVIDED (USED) by</b>				
<b>OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (2,235,770)	\$ 67,549	\$ (2,168,221)	\$ 641,207
<b>ADJUSTMENTS to RECONCILE OPERATING</b>				
<b>INCOME (LOSS) to NET CASH PROVIDED (USED)</b>				
<b>by OPERATING ACTIVITIES</b>				
Depreciation	104,173	-0-	104,173	-0-
Donated Commodities Used	187,063	-0-	187,063	-0-
Pension - Changes Other than Periodic Pension Cost	49,000	-0-	53,000	-0-
OPEB - Related Changes Other than Periodic OPEB Costs	8,000	-0-	8,000	-0-
Decrease in Receivables	28,038	-0-	28,038	626,367
Increase in Inventory	(1,992)	-0-	(1,992)	-0-
Increase (Decrease) in Accounts Payable	32,190	-0-	32,190	(228,665)
Increase in Accrued Salaries and Benefits	320,111	-0-	320,111	-0-
Increase in Unearned Revenue	55,230	-0-	55,230	-0-
<b>Total Adjustments</b>	<b>781,813</b>	<b>-0-</b>	<b>781,813</b>	<b>397,702</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,453,957)</b>	<b>\$ 67,549</b>	<b>\$ (1,386,408)</b>	<b>\$ 1,038,909</b>

#### SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION

##### NONCASH and RELATED FINANCING ACTIVITIES

Receipt of USDA Donated Commodities	187,063	-0-	187,063	-0-
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See notes to financial statements.

# Hempfield School District

## STATEMENT of NET POSITION -

### FIDUCIARY FUNDS

June 30, 2020

	Private Purpose Trust	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 124,305	\$ 207,354
Investments	<u>1,180</u>	<u>10,604</u>
<b>TOTAL ASSETS</b>	<b><u>125,485</u></b>	<b><u>217,958</u></b>
<b>LIABILITIES</b>		
Accounts Payable	150	6,307
Due to Other Funds	-0-	148
Other Current Liabilities	<u>-0-</u>	<u>211,503</u>
<b>TOTAL LIABILITIES</b>	<b><u>150</u></b>	<b><u>217,958</u></b>
<b>NET POSITION</b>		
Restricted for Scholarships	<b><u>\$ 125,335</u></b>	<b><u>\$ -0-</u></b>

See notes to financial statements.

**Hempfield School District**  
 STATEMENT of CHANGES in NET POSITION -  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2020

	<b>Agency Fund</b>
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 63,058
Investment Earnings	<u>890</u>
<b>Total Additions</b>	<b>63,948</b>
<b>DEDUCTIONS</b>	
Scholarships Awarded	<b>8,300</b>
Scholarship Funds Transferred to Hempfield Foundation	<u><b>38,228</b></u>
<b>CHANGES in NET POSITION</b>	<b>17,420</b>
<b>NET POSITION</b>	
Beginning	<u>107,915</u>
<b>Ending</b>	<u><b>\$ 125,335</b></u>

See notes to financial statements.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES**

**Hempfield School District** (the School District), located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in West Hempfield Township, East Hempfield Township, Mountville Borough, and East Petersburg Borough. These include regular, advanced academic, and vocational education programs, and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of seven elementary schools, two middle schools, and one high school, serving approximately 7,000 students.

The accounting policies of **Hempfield School District** conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

**Reporting Entity**

Consistent with guidance contained in Statement No. 14 of the GASB, *The Financial Reporting Entity*, as amended, the criteria used by the School District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the School District as defined below.

**Impose its Will** - If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**Financial Benefit or Burden** - If the School District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations which are fiscally dependent on the School District and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the School District.

Based on the foregoing criteria, no additional entities are included in the accompanying general purpose financial statements.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures**

**Lancaster County Career and Technology Center**

The School District is one of 16 member school districts of the Lancaster County Career and Technology Centers (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the area Career and Technology Center Board for Lancaster County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2020, was approximately \$1,111,000. The School District has entered into an operation lease with the LCCTC as more fully disclosed in Note 20. Complete general purpose financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

**Lancaster County Career and Technology Center Authority**

The School District is also a member of the Lancaster County Career and Technology Center Authority (Authority). In 1968, the Authority entered into an agreement with the member school districts and the Career and Technology Center Board to acquire land and construct buildings to provide the facilities for the operation of LCCTC. In 1995, the Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the LCCTC facilities. In 1998, the Authority entered into an additional agreement with the member school districts and the Authority Board to advance refund the Authority's 1995 bonds. The School District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements as more fully described in Note 20. The School District's lease payment to the Authority for the year ended June 30, 2020, was \$162,000, which was reported in The School District's general fund. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

**Lancaster-Lebanon Joint Authority**

The School District is a member of the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P. L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit No. 13. The Authority is not reported as part of the School District's reporting entity. The School District did not have any financial transactions with the Authority during the year ended June 30, 2020. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures (Continued)**

**Lancaster-Lebanon Intermediate Unit (LLIU)**

The LLIU Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' Boards of Directors. **Hempfield School District** is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. **Hempfield School District** contracts with the LLIU for special education services for School District students. The amount paid for these services in the year ended June 30, 2020, was approximately \$6,031,000. Complete financial information for the LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

**Lancaster County Tax Collection Bureau (Bureau)**

The School District participates with 17 other school districts and the municipalities represented by those school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee and 17 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made quarterly. The School District's portion of the operating expenditures for the year ended June 30, 2020, was \$103,659. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

**Lancaster-Lebanon Public Schools Employees' Health Care Consortium (EHCC)**

The School District participates with 14 other school districts in a self-insured stop-loss pool. The School District is self-insured for claims up to \$200,000. The pool reimburses monies to the School District for individual claims above \$200,000 up to \$400,000. The pool has commercial insurance for claims greater than \$400,000. The School District contribution to the pool for the year ended June 30, 2020, was approximately \$1,009,000 for excess loss insurance coverage.

**Hempfield Area Recreation Commission (Commission)**

The School District participates with 4 municipalities to provide recreational facilities and opportunities for the residents of the School District and participating municipalities. The School District appoints 2 of 12 members of the Board of Directors. The School District paid \$241 to the Commission for facilities rentals, during the year ended June 30, 2020.

**Basis of Presentation - Fund Accounting**

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation - Financial Statements**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities, as well as deferred inflows and outflows of resources associated with the operation of these funds, are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

Fiduciary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The School District reports the following major governmental funds:

**General Fund** - The general fund is the principal operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

**Capital Project Fund** - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This fund represents the capital reserve fund and the bond construction fund.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, and for the payment of future variable interest debt payments.

The School District reports the following proprietary funds:

**Food Service Fund** - This major proprietary fund accounts for the revenues, food purchases, and other costs and expenses of providing meals to students during the school year.

**Child Care Fund** - This nonmajor proprietary fund accounts for revenues generated and related costs incurred from a child care center established by the School District.

**Internal Service Fund** - This fund is used to account for employee contributions, stop-loss receipts, and hospitalization costs which are services provided to the School District employees as benefits.

The School District accounts for assets held by the School District in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

The agency fund is used to account for assets held by the School District as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. This fund includes the student activities fund.

**Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, deferred inflows and outflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the School District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service, other postemployment benefits, pensions, and compensated absence payments, which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments. Current property taxes measurable at June 30, 2020, which are not intended to finance fiscal 2020 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenues (earned income taxes) are recognized when received, as the amounts are not reasonably estimable prior to receipt.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the School District's food service fund are charges to students and staff for food. Operating expenses include the costs to provide food. The principal operating revenues of the School District's child care fund are charges for child care services to parents.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

Operating expenses include the cost for the operation and management of the child care center. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits. They are carried at cost plus accrued interest, which approximates fair value.

**Investments**

The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a-7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

**Taxes Receivable and Deferred Inflows of Tax Revenues**

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. All taxes receivable are considered to be fully collectible (Note 4).

**Inventories**

Inventories in the cafeteria fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2020. Any unused commodities donated by the federal government at June 30, 2020, were reported as unearned revenue since title does not pass to the School District until the commodities are used.

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first in/first-out (FIFO) basis and are expensed when used.

Inventories in governmental funds represent the estimated cost using the first-in/first-out (FIFO) method of supplies on hand at June 30, 2020. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. The inventory cost has been recorded as an asset in the governmental funds, offset by fund balance classified as nonspendable in an equal amount.

**Capital Assets and Depreciation**

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The School District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets and Depreciation (Continued)**

Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

School Buildings	30 - 40 Years
Building Improvements	20 - 40 Years
Land Improvements	15 - 20 Years
Furniture, Fixtures, and Equipment	3 - 20 Years
Vehicles	8 - 10 Years

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. They are categorized as gain or loss on bond refunding in the event that debt is refinanced. Amortization continues over the life of the new or refinanced debt, whichever is shorter.

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

**Compensated Absences and Retirement Bonuses**

The School District accrues unused vacation, sick leave, and personal days as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with School District policy. The School District also accrues retirement bonuses to be paid out at retirement in accordance with School District policy.

For governmental funds, that portion of unpaid compensated absences and retirement bonuses that are expected to be paid using expendable, available resources are reported as expenditures in the fund from which the individual earning the leave or bonus is paid, and a corresponding liability reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences and retirement bonuses using the rates in effect at the balance sheet date. The School District has accrued the employer's share of social security and Medicare taxes on those balances not expected to be transferred to a tax-sheltered annuity (TSA) account.

**Pension Plan**

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple employer defined benefit and defined contribution pension plan. The School District recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.)

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pension Plan (Continued)**

The School District made all required contributions for the year ended June 30, 2020, and has recognized them as expenditures in the governmental funds.

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

**Other Postemployment Benefits (OPEB)**

***Single-Employer Defined Benefit OPEB Plan***

The School District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The single-employer OPEB plan is unfunded.

***Cost-Sharing Multiple-Employer Defined Benefit Plan***

The School District participates in the Pennsylvania Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Program. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year end are included with committed or assigned fund balances, as appropriate, because they do not constitute expenditures or liabilities. As of June 30, 2020, the School District had no encumbrances.

**Interfund Activity**

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

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Classification**

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School Board. Commitments may be changed only by the School District taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Finance Committee and the Director of Finance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are available for any purpose.

The School District typically pays expenditures from a fund's unrestricted resources when both restricted and unrestricted fund balance is available. The School District will elect to use restricted resources based on specific circumstances when considered necessary. The School District considers restricted, committed, and assigned amounts to have been spent when an expenditure is incurred and such an election has been made.

The School District has formally adopted a minimum fund balance policy for the general fund. The policy states that the School District will strive to maintain an unassigned general fund balance of not less than five percent and not more than eight percent of the budgeted expenditures for that fiscal year.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates used in preparation of these financial statements include depreciation, compensated absences, retirement bonus accrual, expense allocations, pension related items, and other postemployment benefits. Actual results could differ from those estimates.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Current Year Changes in Accounting Principles**

During the current year, the School District adopted GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The School District's beginning balances and current year results were not affected by the implementation of this new standard.

**Pending Changes in Accounting Principles**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement are effective for the School District's June 30, 2021, financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the School District's June 30, 2022, financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the School District's June 30, 2022, financial statements.

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

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

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pending Changes in Accounting Principles (Continued)**

In June 2020, the GASB 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*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this statement are effective for the School District's June 30, 2022 financial statements.

The effects of implementation of these standards have not yet been determined.

**NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS**

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Certain other high-quality bank and corporate instruments.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes. There were no deposits or investment transactions during the year that were significant violations of either the state statutes or the policy of the School District.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

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

**Cash and Cash Equivalents - Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District has a written policy for custodial credit risk. The public school code requires that all deposits of the School District, which are not insured, are collateralized by the depository institution. As of June 30, 2020, \$15,446,814 of the School District's bank balance of \$15,770,223 is exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name	<u>15,446,814</u>
	<b>15,446,814</b>

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

Uninsured Amount Above	15,446,814
Insured Amount	<u>323,409</u>
Bank Balance	15,770,223
Outstanding Checks	<u>(106,730)</u>
Carrying Amount - Bank Balances	15,663,493
Petty Cash	<u>3,087</u>
<b>Total Cash and Cash Equivalents per Financial Statements</b>	<b>15,666,580</b>

**Investments**

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

Investments' fair value measurements are as follows at June 30, 2020:

	<b>Maturity</b>
<b>Investments Recorded at Amortized Cost</b>	
PLIGIT Class	390,295 <=397 days
PLIGIT I Class	7,031,547 <=397 days
PLIGIT Plus	5,418 <=397 days
PSDLAF/Max Series	13,775,094 <=397 days
PSDLAF Full Flex Pool	<u>20,300,000</u> 150 days
<b>Total Investments per the Financial Statements</b>	<b>41,502,354</b>

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

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

**Investments (Continued)**

The Pennsylvania Local Government Investment Trust (PLGIT) is a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independently elected public official.

The Pennsylvania School District Liquid Asset Fund (PSDLAF) is a 2a7-like pool with respect to Max Series investments. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The School District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PMA Financial Network, Inc. The pool is audited annually by PricewaterhouseCoopers, LLP, an independently elected public official.

The PSDLAF Full Flex Pool is an external short-term fixed income investment pool. The School District carries fixed income investments at cost when the maturity of the underlying collateralized or FDIC insured certificate of deposit investments are one year or less.

**Restrictions on Qualified Investment Pool Withdrawals**

The School District's investments in the PLGIT account are subject to a one-day holding period. The School District is limited to two withdrawals per calendar month from the PLGIT I - Class account. Investments in the PLGIT/PLUS account are subject to a 30-day holding period for each deposit, and to penalty for early withdrawal.

The School District has an investment in a qualified investment pool with PSDLAF. Except for direct deposits from the Commonwealth, investments in the PSDLAF/MAX account are subject to a 14-day minimum holding period, and to penalty for early withdrawal. This requirement has been waived by the trust since inception.

**Interest Rate Risk**

The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The School District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the School District investments are rated as:

<b>Investments</b>	<b>Standard &amp; Poor's</b>
PLGIT (Class, I-Class, and Plus)	AAAm
PSDLAF - Max Series	AAAm
PSDLAF - Collateralized Flex CD Pool	Unrated

**Concentration of Credit Risk**

The School District places no limit on the amount they may invest in any one issuer. At June 30, 2020, the School District does not have any concentrations of credit risk in its investments.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investments subject to custodial credit risk at June 30, 2020.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 3 - REAL ESTATE TAXES**

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate for the year ended June 30, 2020, was 16.3474 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2020, follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 10% Penalty Period
January 1	- Lien Date (Lancaster County Tax Claim Bureau)

**NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES**

The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. All taxes are determined to be collectible. A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The balances at June 30, 2020, are as follows:

	Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	957,328	305,224	652,104
Realty Transfer Taxes	88,093	88,093	-0-
Earned Income Taxes	<u>1,482,620</u>	<u>1,482,620</u>	<u>-0-</u>
	<b>2,528,041</b>	<b>1,875,937</b>	<b>652,104</b>

**NOTE 5 - INTERFUND ACCOUNTS**

Individual fund receivable and payable balances at June 30, 2020, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	16,742	97,792
Child Care Fund	20,923	-0-
Student Activity Fund	-0-	148
Capital Projects Fund	<u>76,870</u>	<u>16,595</u>
	<b>114,535</b>	<b>114,535</b>

A transfer is pending from the capital project to the general fund to reimburse expenses paid for by the general fund.

A transfer is pending from the general fund to the capital project fund to set aside resources for future capital expenditures.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 5 - INTERFUND ACCOUNTS (Continued)**

A transfer is pending from the student activity fund to the general fund to reimburse expenses paid for by the general fund.

A transfer is pending from the general fund to the child care fund to reimburse expenses for a payable at year-end.

At June 30, 2020, there is an interfund advances receivable and payable between the general fund and food service fund, respectively, in the amount of \$771,290. This interfund activity represents amounts due from the food service fund to the general fund for salaries and benefits of food service employees paid for by the general fund and not expected to be repaid with current resources.

Interfund transfers for the year ended June 30, 2020, are as follows:

Fund	Transfers In	Transfers Out
General Fund	565,747	8,548,433
Food Service Fund	71,756	-0-
Capital Project Fund	11,270,271	-0-
Child Care Fund	-0-	67,549
Debt Service Fund	8,399,806	11,193,401
Internal Service Funds	<u>-0-</u>	<u>498,197</u>
	<b>20,307,580</b>	<b>20,307,580</b>

Transfers are made between the child care fund and the general fund equal to each month's net operating income or loss of the child care fund. Transfers are made between the internal service funds and the general fund equal to the balance of the remaining investments in the workers' compensation and unemployment compensation funds as these funds were closed in the current year. Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds. Transfers from the general fund to the capital project fund were made to provide resources for future capital expenditures. Transfers from the general fund to the cafeteria fund were made to provide resources for equipment purchases and payroll. Transfers from the debt service fund to the capital project fund were made for bond proceeds received for capital projects.

**NOTE 6 - DUE from/to OTHER GOVERNMENTS**

Amounts due to other governments primarily represent payables to other school districts for tuition expenses and at June 30, 2020, totaled \$1,404,015.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 6 - DUE from/to OTHER GOVERNMENTS (Continued)**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2020, the following amounts are due from other governmental units:

<b>Due From</b>	<b>General Fund and Governmental Activities</b>
Federal Grants	27,704
PCCD COVID-19 Grant	48,864
State Retirement Subsidy	3,669,162
State FICA Subsidy	945,150
Other Local Governments	<u>468,326</u>
	<b>5,159,206</b>

**NOTE 7 - CHANGES in CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2020, is as follows:

<b>Historical Cost:</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>
<b>Capital Assets not Being Depreciated:</b>				
Land	4,687,257	-0-	-0-	4,687,257
Construction in Progress	<u>138,051</u>	<u>77,743</u>	<u>(138,051)</u>	<u>77,743</u>
<b>Total Cost</b>	<b>4,825,308</b>	<b>77,743</b>	<b>(138,051)</b>	<b>4,765,000</b>
<b>Capital Assets Being Depreciated:</b>				
Building and Building Improvements	187,814,546	151,825	-0-	187,966,371
Furniture and Equipment	26,374,235	600,957	(425,401)	26,549,791
Vehicles	<u>657,781</u>	<u>93,321</u>	<u>-0-</u>	<u>751,102</u>
<b>Total Cost</b>	<b>214,846,562</b>	<b>846,103</b>	<b>(425,401)</b>	<b>215,267,264</b>
<b>Accumulated Depreciation:</b>				
Building and Building Improvements	71,970,086	4,544,333	-0-	76,514,419
Furniture and Equipment	16,679,790	975,176	(410,386)	17,244,580
Vehicles	<u>496,594</u>	<u>36,217</u>	<u>-0-</u>	<u>532,811</u>
<b>Total Accumulated Depreciation</b>	<b>89,146,470</b>	<b>5,555,726</b>	<b>(410,386)</b>	<b>94,291,810</b>
<b>Net Capital Assets Being Depreciated</b>	<b>125,700,092</b>	<b>(4,709,623)</b>	<b>(15,015)</b>	<b>120,975,454</b>
<b>Net Capital Assets</b>	<b>130,525,400</b>	<b>(4,631,880)</b>	<b>(153,066)</b>	<b>125,740,454</b>

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)**

Capital asset activity for business-type activities for the year ended June 30, 2020, is as follows:

<b>Historical Cost:</b>	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>
Capital Assets Being Depreciated:				
Furniture and Equipment	1,632,565	57,720	-0-	1,690,285
Vehicles	<u>64,376</u>	<u>-0-</u>	<u>-0-</u>	<u>64,376</u>
<b>Total Cost</b>	<b><u>1,696,941</u></b>	<b><u>57,720</u></b>	<b><u>-0-</u></b>	<b><u>1,754,661</u></b>
Accumulated Depreciation:				
Furniture and Equipment	820,469	104,173	-0-	924,642
Vehicles	<u>64,376</u>	<u>-0-</u>	<u>-0-</u>	<u>64,376</u>
<b>Total Accumulated Depreciation</b>	<b><u>884,845</u></b>	<b><u>104,173</u></b>	<b><u>-0-</u></b>	<b><u>989,018</u></b>
<b>Net Capital Assets</b>	<b><u>812,096</u></b>	<b><u>(46,453)</u></b>	<b><u>-0-</u></b>	<b><u>765,643</u></b>

Depreciation expenses were charged to governmental functions as follows:

Instruction	3,704,608
Instructional Student Support	435,837
Administrative and Financial Support Services	231,642
Operation and Maintenance of Plant Services	107,225
Unallocated Depreciation Expense	<u>1,076,414</u>
	<b>5,555,726</b>

**NOTE 8 - DERIVATIVE INSTRUMENT - INTEREST RATE SWAP**

**Objective** - The School District executed a forward interest swap agreement with a bank counterparty intended to hedge interest rate risk on the future issuance of bonds to refund the outstanding 2012 and 2012A bonds. See Note 11 for more information on the debt associated with the interest rate swap that was paid off during the year ended June 30, 2020. As part of the Series A of 2020 refinancing, the School District made a termination payment of \$1,650,000 to settle the swap agreement.

**Terms** - The interest rate swap had a mandatory early termination on the effective date of April 15, 2020, when both bond issues were eligible to be currently refunded at the option of the School District. The swap's notional amount of \$29,850,000 was structured to correspond with the amortization of the bonds. The swap was entered into in December 2017. The termination payment was calculated such that the School District was responsible to pay the monthly fixed rate of 2.1285% and the bank counterparty is the payer of a variable interest rate of 80.00% of 3-month USD-LIBOR. Ultimately, because of the mandatory termination, there was no exchange of periodic scheduled payments. The hedging concept of the swap was that if the future swap rates were higher than the executed swap rate, the School District would receive a termination payment and use that receipt to reduce the amount of refunding bonds needed, thereby helping to offset the higher bond rate. If future swap rates were lower than the executed swap rate, the School District would make a termination payment out of the proceeds of the refunding bonds, thereby increasing the par amount, and issue bonds in a lower interest rate environment.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 8 - DERIVATIVE INSTRUMENT - INTEREST RATE SWAP (Continued)**

Derivative instrument activity during the year ended June 30, 2020, is summarized as follows:

**Cash Flow Hedges (Pay-Fixed Interest Rate Swap)**

Notional Amount	Classification	Fair Value July 1, 2019	Changes in Fair Value	Termination	Fair Value June 30, 2020
<b>Governmental Activities:</b>					
29,850,000	Debt	(1,257,000)	(393,550)	1,650,550	-0-

A termination payment was made as described above during the year ended June 30, 2020 and was considered as part of the carrying amount of the old debt and is now reported as part of deferred inflow of resources - gain on bond refunding. The amount is amortized over time as part of interest expense on the underlying debt.

**NOTE 9 - ACCRUED SALARIES and BENEFITS**

At June 30, 2020, the School District was liable for \$5,815,689 of payroll, which is payable during July and August 2020, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2020, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and bonuses. The School District was also liable for the benefits on payroll paid prior to or accrued as of June 30, 2020.

Accrued salaries and benefits as of June 30, 2020, are as follows:

Accrued Salaries	5,815,689
Accrued Benefits:	
Retirement	7,338,322
Social Security	434,348
Other Benefits	<u>254,932</u>
	<b>13,843,291</b>

**NOTE 10 - UNEARNED REVENUES**

Unearned revenues consist of the following as of June 30, 2020:

	General Fund	Food Service Fund
Summer School	36,825	-0-
Retirees' Insurance	28,587	-0-
1:1 Initiative	222,981	-0-
Social Security due from State	148,647	-0-
Other	22,063	-0-
Unused Donated Commodities	-0-	8,599
Prepaid Lunch Sales	<u>-0-</u>	<u>121,854</u>
	<b>459,103</b>	<b>130,453</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 11 - LONG-TERM DEBT**

**General Obligation Debt**

The School District issues general obligation bonds to provide funds for major capital improvements. These bonds are direct obligations and pledge the full faith and credit of the School District. Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2020, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2020
Series of 2012 Bonds	October 15, 2031	3.00% - 5.00%	-0-
Series A of 2012 Bonds	October 15, 2023	2.00% - 4.00%	-0-
Series A of 2015 Bonds	September 15, 2023	2.00% - 4.00%	-0-
Series of 2016 Bonds	February 15, 2030	1.10% - 3.00%	8,380,000
Series A of 2016 Bonds	October 15, 2031	0.98% - 3.00%	6,820,000
Series of 2017 Bonds	April 15, 2032	1.30% - 3.13%	8,885,000
Series A of 2019 Bonds	August 1, 2025	2.00% - 4.00%	13,845,000
Series AA of 2019 Bonds	August 1, 2031	1.72% - 4.00%	5,605,000
Series A of 2020 Bonds	October 15, 2031	1.50% - 4.00%	34,155,000
Series AA of 2020 Bonds	October 15, 2036	1.50% - 4.00%	<u>10,000,000</u>
			<b>87,690,000</b>

On May 8, 2012, the School District issued the Series of 2012 General Obligation Bonds in the amount of \$27,320,000 at a premium of \$2,956,192. The Bonds were issued to provide funding for the construction of Landisville Elementary School, Farmdale Elementary School, and East Petersburg Elementary school and the costs and expenses of issuing the Bonds. During the year ended June 30, 2017, \$2,575,000 of the bonds were advance refunded through the issuance of the Series A of 2016 General Obligation Bonds. The remaining principal amount was currently refunded during the year ended June 30, 2020 through the issuance of Series A of 2020 General Obligation Bonds. See Note 8 for information on the interest rate swap related to this bond.

On May 8, 2012, the School District issued the Series A of 2012 General Obligation Bonds of \$12,385,000 at a premium of \$798,922. The proceeds were used to currently refund the Series A of 2004 General Obligation Bonds and to pay the costs and expenses of issuing the Bonds. The Bonds were currently refunded during the year ended June 30, 2020, through the issuance of Series A of 2020 General Obligation Bonds.

On February 17, 2015, the School District issued the Series A of 2015 General Obligation Bonds of \$8,135,000 at a premium of \$184,302. The proceeds were used to advance refund the Series of 2010 General Obligation Bonds and to pay the costs and expenses of issuing the Bonds. The Bonds were currently refunded during the year ended June 30, 2020, through the issuance of Series A of 2020 General Obligation Bonds.

On February 10, 2016, the School District issued the Series of 2016 General Obligation Bonds of \$8,400,000 at a discount of \$52,430. The proceeds were used to refund the Series A of 2010 General Obligation Bonds and to pay the costs and expenses of issuing the Bonds. The principal amount outstanding at June 30, 2020, was \$8,380,000 due in various installments through February 15, 2030. Principal due within one year is \$5,000.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 11 - LONG-TERM DEBT (Continued)**

**General Obligation Debt (Continued)**

On July 25, 2016, the School District issued the Series A of 2016 General Obligation Bonds of \$9,180,000 at a premium of \$454,680. The proceeds were used to refund the Series of 2011 General Obligation Bonds, the Series A of 2011 General Obligation Bonds, and the advanced refunding of a portion of the School District's Series of 2012 General Obligation Bonds, and to pay the costs and expenses of issuing the Bonds. The principal amount outstanding at June 30, 2020, was \$6,820,000 due in various installments through October 15, 2031. Principal due within one year is \$1,315,000.

On February 21, 2017, the School District issued the Series of 2017 General Obligation Bonds of \$8,900,000 at a discount of \$37,067. The proceeds were used for the advance refunding of the Series of 2013 General Obligation Bonds, and to pay the costs and expenses of issuing the Bonds. The principal outstanding at June 30, 2020, was \$8,885,000 due in various installments through April 15, 2032. Principal due within one year is \$10,000.

On April 9, 2019, the School District issued the Series A of 2019 General Obligation Bonds of \$15,640,000 at a premium of \$1,017,105. The proceeds were used to currently refund the Series of 2015 General Obligation Bonds, and to pay the costs and expenses of issuing the Bonds. The principal outstanding at June 30, 2020, was \$13,845,000 due in various installments through August 1, 2025. Principal due within one year is \$1,775,000.

On April 9, 2019, the School District issued the Series AA of 2019 General Obligation Bonds of \$6,400,000 at a premium of \$152,357. The proceeds were used to currently refund the Series of 2013 General Obligation Bonds, Series of 2014 General Obligation Bonds, and Series of 2014A General Obligation Bonds, and to pay the costs and expenses of issuing the Bonds. The principal outstanding at June 30, 2020, was \$5,605,000 due in various installments through August 1, 2031. Principal due within one year is \$865,000.

On February 13, 2020, the School District issued the Series A of 2020 General Obligation Bonds of \$34,155,000 at a premium of \$4,718,366. The proceeds were used to currently refund the Series of 2012 General Obligation Bonds, Series of 2012A General Obligation Bonds, and Series of 2015A General Obligation Bonds, and to pay the costs and expenses of issuing the Bonds. The principal outstanding at June 30, 2020, was \$34,155,000 due in various installments through October 15, 2031. Principal due within one year is \$2,165,000. The difference between the cash flows required to service the refinanced debt and the new debt amounts to \$4,356,935. The present value of the School District's savings over the term of the bond amounts to \$3,870,111.

On February 13, 2020, the School District issued the Series AA of 2020 General Obligation Bonds of \$10,000,000 at a premium of \$1,294,799. The proceeds were used to provide funding for various capital projects and to pay the costs and expenses of issuing the Bonds. The principal outstanding at June 30, 2020, was \$10,000,000 due in various installments through October 15, 2036. Principal due within one year is \$-0-.

Interest cost incurred during the year ended June 30, 2020, was \$2,557,715, all of which was charged to expense.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 11 - LONG-TERM DEBT (Continued)**

**General Obligation Debt (Continued)**

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
<b>Governmental Activities</b>				
General Obligation Debt	85,765,000	44,155,000	42,230,000	87,690,000
Bond Discount	(69,417)	-0-	(7,549)	(61,868)
Bond Premium	<u>3,343,353</u>	<u>6,013,165</u>	<u>2,274,931</u>	<u>7,081,587</u>
	<b>89,038,936</b>	<b>50,168,165</b>	<b>44,497,382</b>	<b>94,709,719</b>
Accrued Retirement Bonuses	910,988	1,401	72,913	839,476
Estimated Liability for				
Compensated Absences	<u>2,715,587</u>	<u>430,267</u>	<u>244,562</u>	<u>2,901,292</u>
<b>Total Governmental Activities</b>	<b>92,665,511</b>	<b>50,599,833</b>	<b>44,814,857</b>	<b>98,450,487</b>
<b>Business-Type Activities</b>				
Accrued Retirement Bonuses	6,345	-0-	5,085	1,260
Estimated Liability for				
Compensated Absences	<u>69,636</u>	<u>6,376</u>	<u>1,608</u>	<u>74,404</u>
<b>Total Business-Type Activities</b>	<b>75,981</b>	<b>6,376</b>	<b>6,693</b>	<b>75,664</b>
<b>Total Government</b>	<b>92,741,492</b>	<b>50,606,209</b>	<b>44,821,550</b>	<b>98,526,151</b>

The School District pays the long-term obligations of the governmental activities from the general fund, except for debt service. Debt service payments are paid from the debt service fund which is, however, funded by transfers from the general fund. All long-term obligations of the business-type activities are paid from the food service fund.

The following schedule reveals the annual aggregate debt service requirements to maturity for the general obligation debt:

	Interest	Principal	Total
2021	2,890,438	6,135,000	9,025,438
2022	2,695,881	6,435,000	9,130,881
2023	2,472,368	6,710,000	9,182,368
2024	2,242,655	6,990,000	9,232,655
2025	2,055,442	5,910,000	7,965,442
2026-2030	7,310,456	33,005,000	40,315,456
2031-2035	1,824,250	19,325,000	21,149,250
2036-2037	<u>128,400</u>	<u>3,180,000</u>	<u>3,308,400</u>
	<b>21,619,890</b>	<b>87,690,000</b>	<b>109,309,890</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 12 - COMPENSATED ABSENCES**

A summary of the amount recorded as a liability in the governmental activities and business-type activities for compensated absences is as follows as of June 30, 2020:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Accumulated Sick Leave	2,006,446	49,957
Accumulated Vacation Leave	594,002	16,269
Accumulated Personal Days	237,253	6,440
Employer Social Security and Medicare on Leave Amounts Above	<u>63,591</u>	<u>1,738</u>
	<b>2,901,292</b>	<b>74,404</b>

**NOTE 13 - ACCRUED RETIREMENT BONUSES**

Upon voluntary retirement, a professional employee with qualifying years of service according to either the collective bargaining agreement or Act 93 agreement will receive a lump sum retirement bonus to be transferred into a Tax Sheltered Annuity account. The accrual for estimated retirement benefits was \$840,736 at June 30, 2020. Of this liability, \$1,260 was attributed to business-type activities and \$839,476 was attributed to governmental activities.

**NOTE 14 - FUND BALANCE CLASSIFICATIONS**

Nonspendable fund balance represents the component of fund balance that is not in spendable form (such as inventory and prepaid items) or is required to be legally or contractually maintained intact. At June 30, 2020, the School District has the following nonspendable fund balance:

<b>General Fund:</b>	
Interfund Advances Receivable	771,290
Prepaid Expenses	<u>108,821</u>
	<b>880,111</b>

Restricted fund balance represents fund balances that can only be used for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers. As of June 30, 2020, the School District has included the following as restricted fund balances:

<b>Capital Project Fund:</b>	
Restricted for Capital Outlays	10,647,918

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 14 - FUND BALANCE CLASSIFICATIONS (Continued)**

Committed fund balances represent fund balances that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. As of June 30, 2020, the School District has included the following as committed fund balances:

**General Fund:**

Committed to Offset Future PSERS Contribution Rate Increases	3,000,000
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Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2020, the School District has the following as assigned fund balances:

**Debt Service Fund:**

Assigned for Debt Service Payment	4,556,318
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**Capital Reserve Fund:**

Assigned for Capital Outlays	7,756,627
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**General Fund:**

Assigned for Capital Projects	2,000,000
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Assigned for Offset to Budgeted 2020-2021 School Year Deficit	3,900,000
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**NOTE 15 - RISK MANAGEMENT**

**Hospitalization**

The School District participates in the insurance consortium with the Lancaster-Lebanon Intermediate Unit #13 to provide for the medical care for eligible employees and their dependents. The School District remits funds to the third-party administrators. The third-party administrators, upon receiving funds from the School District, process, and pay the claims. The School District was limited in liability to \$200,000 per individual and \$14,832,882 in total for hospitalization claims for the year ended June 30, 2020.

A liability for claims incurred prior to June 30, 2020, and subsequently paid is recorded in the amount of \$1,001,468 in accounts payable in the internal service fund. For the year ended June 30, 2019, the liability for claims incurred prior to June 30, 2019, and subsequently paid was \$1,230,133.

Changes in the School District's claims liability amount in fiscal years 2020 and 2019 are:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2018-2019	800,000	12,509,606	12,079,473	1,230,133
2019-2020	1,230,133	11,921,114	12,149,779	1,001,468

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 15 - RISK MANAGEMENT (Continued)**

**Hospitalization (Continued)**

**Workers' Compensation**

The School District participates in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund) which is a cooperative voluntary trust arrangement for nineteen member school districts and the Lancaster-Lebanon Intermediate Unit. This agreement states that the School District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof.

It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2020, the School District is not aware of any additional assessments relating to the Fund.

**Other Risks**

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2020, and the two previous fiscal years, no settlements exceeded insurance coverage.

**NOTE 16 - DEFINED BENEFIT PENSION PLAN**

***General Information about the Pension Plan***

**Plan Description**

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

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 16 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% 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 at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Contributions**

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. Plan members may belong to one of four membership classes. Class T-C, Class T-D, Class T-E, and Class T-F are available to plan members.

**Member Contributions**

Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class T-C or 6.50% for Class T-D. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class T-C or 7.50% for Class T-D. Members who joined the plan after June 30, 2001 and before July 1, 2011, are automatically in Class T-D and are required to contribute 7.50%.

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

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 16 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Employer Contributions**

The School District's contractually required contribution rate for fiscal year ended June 30, 2020, was 33.45% 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 \$18,466,000 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$185,540,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2018 to June 30, 2019. 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, 2020, the School District's proportion was .3966 percent, which was an decrease of .0010 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$20,866,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	1,022,000	6,150,000
Changes in Assumptions	1,774,000	-0-
Net Difference between Projected and Actual		
Investment Earnings	-0-	531,000
Changes in Proportion	629,000	1,055,000
Difference between Employer Contributions and		
Proportionate Share of Total Contributions	367,000	-0-
Contributions Subsequent to the Measurement Date	<u>18,466,000</u>	<u>-0-</u>
	<b>22,258,000</b>	<b>7,736,000</b>

\$18,466,000 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will increase (decrease) pension expense as follows:

Year Ended June 30:	
2021	1,232,000
2022	(3,558,000)
2023	(1,946,000)
2024	328,000

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 16 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions**

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

Long Term Expected Rate of Return: 7.25%, includes inflation at 2.75%.

Actuarial Cost Method: Entry age normal, level percent of pay.

Salary Growth: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality Rates: 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.

There were no changes in assumptions used in measurement of the total pension liability beginning June 30, 2019. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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	20.0%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real Estate	10.0%	4.1%
Alternative Investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	<u>(20.0%)</u>	0.7%
	<b>100.0%</b>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 16 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
School District's Proportionate Share of the Net Pension Liability	231,110,000	185,540,000	146,953,000

**Pension Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS' website at [www.psers.pa.gov](http://www.psers.pa.gov).

**Payable to the Pension Plan**

At June 30, 2020, the School District reported a payable of \$5,364,719 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2020. These amounts relate to the second quarter of 2020, 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 \$360,035 for the employee contributions withheld during June 2020, which are payable to PSERS by July 5, 2020.

**Pension Reform**

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

Membership Class T-G, one of the hybrid options, contains a "shared risk" provision whereby Membership Class T-G member contribution rates into the defined benefit plan can fluctuate between 2.5% and 8.5% (5.5% currently). In addition, employees electing this class contribute 2.75% into the defined contribution plan. The School District is required to contribute 2.25% into the defined contribution plan. This is the default option.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 16 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Reform (Continued)**

Membership Class T-H, one of the hybrid options, contains a “shared risk” provision whereby Membership Class T-H member contribution rates into the defined benefit plan can fluctuate between 1.5% and 7.5% (4.5% currently). In addition, employees electing this class contribute 3.00% into the defined contribution plan. The School District is required to contribute 2.00% into the defined contribution plan.

Membership Class DC, the defined contribution option, requires that employees electing this class contribute 7.5% into the defined contribution plan and the School District will contribute 2.00%.

The School district will continue to contribute to the defined benefit portion of PSERS based on an actuarially determined contribution rate which will continue to be calculated as a percent of all compensation of PSERS eligible employees but now reduced by the amounts already remitted to the defined contribution plan portion.

The total School District contribution into the defined contribution plan portion of PSERS was \$25,627 for the year ended June 30, 2020.

PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6.00%.

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN**

***General Information about the OPEB Plan***

**Plan Description**

The School District maintains a single-employer defined benefit OPEB plan to provide postemployment health care benefits. The Board of School Directors is authorized to establish and amend the financing requirements and benefits, subject to collective bargaining for certain classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

**Benefits Provided**

The plan provides medical and prescription drug coverage to employees who retire from active service and qualify for pension benefits, and their spouse and eligible dependents. Generally, retirees are eligible for benefits until age 65 upon paying 100% of the premium; spouse and dependents are eligible for benefits until age 65, and may continue coverage until the spouse is Medicare age after the retiree’s death upon paying the full premium.

**Employees Covered by Benefit Terms**

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	67
Inactive Employees Entitled to but not yet Receiving Benefits	-0-
Active Employees	<u>801</u>
	<b>868</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**Total OPEB Liability**

The School District's total OPEB liability of \$9,132,000 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the July 1, 2018, actuarial valuation rolled forward to the July 1, 2019 measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 3.36%, based on S&P municipal bond 20-year high grad rate index.

Long Term Expected Rate of Return: N/A, the plan is unfunded.

Actuarial Cost Method: Entry age normal, level percent of pay.

Healthcare Cost Trend: 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Retirees' Share of Benefit-Related Costs: 100.0% of premium.

Mortality Rates: RP-2014 mortality tables (male and female) adjusted for mortality improvement.

The actuarial assumptions used in the July 1, 2018 valuation and rolled forward to the July 1, 2019 measurement date were based on the results of an actuarial experience study for the period ended July 1, 2018.

**Changes in the Total OPEB Liability**

<b>Balance, June 30, 2019</b>	<b>8,874,000</b>
Changes for the Year	
Service Cost	612,000
Interest	277,000
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes of Assumptions	(263,000)
Benefit Payments	<u>(368,000)</u>
<b>Net Changes</b>	<b><u>258,000</u></b>
<b>Balance, June 30, 2020</b>	<b>9,132,000</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the School District for the single-employer plan, as well as what the School District's total OPEB liability for the single-employer plan would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

**Total OPEB Liability**

2.36% Discount Rate (1.0% Decrease)	9,836,000
3.36% Discount Rate (Current Rate)	9,132,000
4.36% Discount Rate (1.0% Increase)	8,470,000

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

The following presents the total OPEB liability of the School District's single-employer plan, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

**Total OPEB Liability**

4.5% (1% Decrease)	8,029,000
5.5% (Current Rate)	9,132,000
6.5% (1% Increase)	10,447,000

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT OPEB PLAN**

***General Information about the Health Insurance Premium Assistance Program***

**Health Insurance Premium Assistance Program**

The Pennsylvania Public School Employees' Retirement System (System) provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

**Premium Assistance Eligibility Criteria**

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

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

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

**Benefits Provided**

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

**Employer Contributions**

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$462,000 for the year ended June 30, 2020.

**OPEB Liabilities and OPEB Expense**

At June 30, 2020, the School District reported a liability of \$8,435,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.3966 percent, which was an decrease of 0.0010 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$399,000 related to this plan.

**Actuarial Assumptions**

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

Actuarial Cost Method: Entry age normal, level percent of pay.

Investment Return: 2.79%, based on the 20-year S&P municipal bond rate.

Salary Growth: Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Premium Assistance reimbursement is capped at \$1,200 per year.

Assumed Healthcare Cost Trends: Applied to retirees with less than \$1,200 in Premium Assistance per year.

Mortality Rates: RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation Rate:

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

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

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015. The following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2016, determined the employer contribution rate for fiscal year 2019.

Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

Asset valuation method: Market value.

Participation rate: 63% of eligible retirees are assumed to elect premium assistance.

Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

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

<b>OPEB - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	13.20%	0.20%
US Core Fixed Income	83.10%	1.00%
Non-US Developed Fixed	<u>3.70%</u>	0.00%
	<b>100.00%</b>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20-year municipal bond rate at June 30, 2019, 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 Discount Rate**

The following presents the School District’s proportionate share of the net OPEB liability, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

**Net OPEB Liability**

1.79% Discount Rate (1.0% Decrease)	9,609,000
2.79% Discount Rate (Current Rate)	8,435,000
3.79% Discount Rate (1.0% Increase)	7,462,000

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped as a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has minimal impact on the following healthcare cost trends.

The following presents the School District’s proportionate share of the net OPEB liability, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

**Net OPEB Liability**

1% Decrease	8,434,000
Current Rate	8,435,000
1% Increase	8,436,000

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

**OPEB Plan Fiduciary Net Position**

Detailed information about the PSERS OPEB plan's fiduciary net position is available in the separately issued PSERS comprehensive annual financial report which is available on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**AGGREGATE OPEB INFORMATION**

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$1,248,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions and Benefit Payments After the Measurement Date	882,000	-0-
Differences Between Expected and Actual Experience	47,000	238,000
Changes of Assumptions	518,000	753,000
Difference Between Projected and Actual Investment Earnings	12,000	-0-
Changes in Proportion	<u>2,000</u>	<u>64,000</u>
	<b>1,461,000</b>	<b>1,055,000</b>

\$882,000 reported as deferred outflows of resources related to OPEB resulting from the School District's benefit payments after the measurement date of the single-employer plan and contributions after the measurement date of the cost-sharing multiple-employer plan will be recognized as a reduction in the total or net OPEB liability, respectively, in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase (decrease) in OPEB expense as follows:

Fiscal Year Ended June 30:	
2021	(50,000)
2022	(52,000)
2023	(55,000)
2024	(56,000)
2025	4,000
Thereafter	(267,000)

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 18 - CHILD CARE OPERATIONS**

The School District operates a child care center (the Center) housed on School District property. The School District entered into an agreement with Bright Horizons Family Solutions Inc., formerly Hildebrandt Learning Centers, LLC, to staff and manage the operations of the Center which has a capacity of approximately 50 child care spaces. The School District receives any profits generated by the Center, but also has to make up for any losses. These operations are accounted for in the child care fund, a nonmajor proprietary fund.

**NOTE 19 - CONTINGENCIES and COMMITMENTS**

**General**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The School District has continued operations within rigid guidelines aimed at halting the spread of the virus. At this point, the future impact of COVID-19 on the School District's operations and financial condition cannot be estimated. The School District's management is monitoring the evolving situation and adapting operations and decision making as necessary.

The School District is involved in various claims, including real estate tax assessment appeals, and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

**Grant Revenue**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

**Transportation Contract**

The School District has entered into an agreement for the transportation of school pupils with Student Transportation of America. The Agreement is for the period of July 1, 2019 through June 30, 2024. The contractor provides all equipment and labor necessary. The cost for the transportation services will be determined based on rate schedules included in the contract which are subject to annual increases ranging from 2.5% to 4.0% for the duration of the contract. The transportation services expense related to this contract was approximately \$3,823,000 for the year ended June 30, 2020, which includes a cost reduction from the original contract based on an amended agreement due to COVID-19 impact.

**Collective Bargaining Agreement**

The School District has entered into a collective bargaining agreement with the Hempfield Education Association. The Agreement in effect is for the period of July 1, 2019 through June 30, 2024. The agreement stipulates the overall working conditions as well as the provisions for wages and employee benefits for the School District's professional staff for the term of the contract.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 20 - OPERATING LEASES**

On June 29, 2012, Lancaster County Career and Technology Center Authority issued Guaranteed Lease Revenue Bonds, Series of 2012, totaling \$9,995,000. On June 30, 2020, LCCTC refinanced Guaranteed Lease Revenue Note, Series of 2017 (refunding of Guaranteed Lease Revenue Bonds, Series of 2013) and Guaranteed Lease Revenue Bonds, Series of 2014, and issued Guaranteed Lease Revenue Bonds, Series of 2020, totaling \$11,145,000. These bonds were issued for the purpose of providing funds for renovations and additions and various other ongoing and proposed capital projects on LCCTC facilities. The School District, along with the other member districts, has covenanted to pay lease rentals in amounts sufficient to service this debt, in proportions based on real estate market values.

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

Fiscal Year Ended June 30,	Future Minimum Rental Payments
2021	156,628
2022	156,494
2023	155,884
2024	155,231
2025	155,636
2026-2030	773,965
2031-2035	763,626
2036-2037	<u>304,555</u>
	<b>2,622,019</b>

The School District leases certain equipment under non-cancellable operating leases expiring June 2020, June 2021, June 2022, July 2022, and July 2023. The future minimum lease payments under the operating leases at June 30, 2020, are as follows:

2021	920,935
2022	727,601
2023	<u>201,265</u>
	<b>1,849,801</b>

Total rental expenses for non-cancellable operating leases reflected in the accompanying financial statements is \$921,878 during the year ended June 30, 2020.

# Hempfield School District

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
BUDGET and ACTUAL - GENERAL FUND  
Year Ended June 30, 2020

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
REVENUES	Original	Final		
Local Sources:				
Real Estate Taxes	\$ 77,890,527	\$ 77,890,527	\$ 77,260,143	\$ (630,384)
Other Taxes	8,883,000	8,883,000	8,978,553	95,553
Investment Earnings	1,000,000	1,000,000	724,300	(275,700)
Other Revenue	2,860,000	2,860,000	2,927,282	67,282
Total Local Sources	90,633,527	90,633,527	89,890,278	(743,249)
State Sources	33,491,269	33,491,269	33,517,658	26,389
Federal Sources	1,192,000	1,192,000	1,442,940	250,940
<b>Total Revenues</b>	<b>125,316,796</b>	<b>125,316,796</b>	<b>124,850,876</b>	<b>(465,920)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	58,110,058	58,108,959	55,886,235	2,222,724
Special Programs	19,674,957	19,674,964	22,243,635	(2,568,671)
Vocational Programs	1,230,000	1,230,000	1,272,290	(42,290)
Other Instructional Programs	922,704	922,705	674,751	247,954
Support Services:				
Pupil Personnel	4,845,825	4,845,821	4,572,411	273,410
Instructional Staff	2,795,701	2,796,783	2,694,945	101,838
Administrative	5,181,106	5,181,108	5,407,791	(226,683)
Pupil Health	1,053,352	1,053,352	1,169,256	(115,904)
Business	1,054,444	1,054,445	807,138	247,307
Operation of Plant and Maintenance	8,332,493	8,332,498	7,699,715	632,783
Student Transportation	5,473,588	5,473,588	4,225,578	1,248,010
Central and Other Business	4,049,341	4,049,344	4,321,931	(272,587)
Noninstructional Services	1,983,682	1,983,684	1,846,865	136,819
<b>Total Expenditures</b>	<b>114,707,251</b>	<b>114,707,251</b>	<b>112,822,541</b>	<b>1,884,710</b>
<b>EXCESS of REVENUES     over EXPENDITURES</b>	<b>10,609,545</b>	<b>10,609,545</b>	<b>12,028,335</b>	<b>1,418,790</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(10,309,268)	(10,339,268)	(7,982,686)	2,356,582
Refund of Prior Years' Receipts	-0-	-0-	(3,855)	(3,855)
Proceeds from Sale of Fixed Assets	25,000	55,000	-0-	(55,000)
Budgetary Reserve	(1,000,000)	(1,000,000)	-0-	1,000,000
<b>Net Other Financing Sources (Uses)</b>	<b>(11,284,268)</b>	<b>(11,284,268)</b>	<b>(7,986,541)</b>	<b>3,297,727</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ (674,723)</b>	<b>\$ (674,723)</b>	<b>4,041,794</b>	<b>\$ 4,716,517</b>
<b>FUND BALANCES</b>				
Beginning			<b>14,847,216</b>	
Ending			<b>\$ 18,889,010</b>	

See independent auditors' report.

**Hempfield School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

**Hempfield School District** follows the following procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. Under Act I requirements, management submits to the School Board a preliminary budget for adoption 90 days prior to the primary election, and then a final budget for adoption on or before June 30, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
2. Public meetings are conducted to obtain taxpayer comments for both the preliminary and final budget adoption process. The proposed budgets are made available to the public 20 days before each adoption date, and are advertised 10 days before each adoption date.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
5. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year.
7. The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

**Hempfield School District**  
 SCHEDULE of CHANGES in NET OPEB LIABILITY and RELATED RATIOS -  
 SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN  
 Last 10 Fiscal Years

	2020	2019	2018
<b>Total OPEB Liability</b>			
Service Cost	\$ 612,000	\$ 554,000	\$ 535,000
Interest	277,000	292,000	215,000
Change of Benefit Terms	-0-	-0-	-0-
Differences Between Expected and Actual Experience	-0-	(284,000)	-0-
Changes of Assumptions	(263,000)	(309,000)	325,000
Benefit Payments	<u>(368,000)</u>	<u>(357,000)</u>	<u>(414,000)</u>
<b>Net Changes in Total OPEB Liability</b>	<b>258,000</b>	<b>(104,000)</b>	<b>661,000</b>
Total OPEB Liability - Beginning	<u>8,874,000</u>	<u>8,978,000</u>	<u>8,317,000</u>
<b>Total OPEB Liability - Ending</b>	<b><u>\$ 9,132,000</u></b>	<b><u>\$ 8,874,000</u></b>	<b><u>\$ 8,978,000</u></b>
<b>Covered Payroll</b>	48,851,760	48,851,760	46,928,908
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	18.7%	18.2%	19.1%

Note: Information is not available prior to 2018.

See independent auditors' report.

**Hempfield School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -  
SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN  
Last 10 Fiscal Years

**Funding:**

No assets are accumulated in a trust that meet the criteria included in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, to pay related benefits.

**Changes of Assumptions:**

Measurement period ending June 30, 2019:

Discount rate was increased from 2.98% to 3.36%.

Measurement period ending June 30, 2018:

Discount rate was reduced from 3.13% to 2.98%.

Percent of eligible retirees electing coverage in plan was reduced from 100% to 90% for administrators and 35% to 25% for support staff.

Measurement period ending June 30, 2017:

Discount rate was increased from 2.49% to 3.13%.

Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

**Hempfield School District**  
 SCHEDULE of EMPLOYER CONTRIBUTIONS -  
 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN  
 Last 10 Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>Contractually Required Contributions</b>	<b>Contributions from Employer</b>	<b>Contributions Deficiency (Excess)</b>	<b>Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered- Employee Payroll</b>
2015	453,000	453,000	-0-	50,638,050	0.90%
2016	439,000	439,000	-0-	51,858,123	0.85%
2017	443,000	443,000	-0-	53,334,038	0.83%
2018	444,000	444,000	-0-	53,544,116	0.83%
2019	453,000	453,000	-0-	54,597,479	0.83%
2020	462,000	462,000	-0-	55,120,975	0.84%

Note: Information is not available prior to 2015.

See independent auditors' report.

**Hempfield School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -  
PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN  
Last 10 Fiscal Years

**Changes of Assumptions:**

Measurement period ending June 30, 2019:

Discount rate was decreased from 2.98% to 2.79%.

Measurement period ending June 30, 2018:

Discount rate was increased from 3.13% to 2.98%.

Measurement period ending June 30, 2017:

Discount rate was increased from 2.71% to 3.13%.

Salary growth changes from an effective average of 5.50% to 5.00%.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

## Hempfield School District

SCHEDULE of the SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET OPEB LIABILITY -

PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PLAN

Last 10 Fiscal Years

Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered- Employee Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2016	.4004%	8,625,000	51,858,123	16.63%	5.47%
2017	.4006%	8,161,000	53,334,038	15.30%	5.73%
2018	.3976%	8,290,000	53,544,116	15.48%	5.56%
2019	.3966%	8,435,000	54,597,479	15.45%	5.56%

Note: Information is not available prior to 2016. The data provided in the schedule is based on the measurement date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

**Hempfield School District**  
 SCHEDULE of EMPLOYER CONTRIBUTIONS -  
 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
 Last 10 Fiscal Years

	<b>Contractually Required Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Defined Benefit Pension Plan:</b>					
2011	2,461,814	2,461,814	-0-	49,236,277	5.00%
2012	3,792,071	3,792,071	-0-	47,400,890	8.00%
2013	5,624,264	5,624,264	-0-	48,906,642	11.50%
2014	7,912,924	7,912,924	-0-	49,455,772	16.00%
2015	10,146,779	10,146,779	-0-	50,638,050	20.50%
2016	13,097,515	13,097,515	-0-	51,858,123	25.00%
2017	15,569,002	15,569,002	-0-	53,334,038	29.20%
2018	15,323,000	15,323,000	-0-	53,544,116	31.74%
2019	17,909,000	17,909,000	-0-	54,597,479	32.60%
2020	18,466,000	18,466,000	-0-	55,120,975	33.36%

See independent auditors' report.

## Hempfield School District

### SCHEDULE of SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -

#### PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	.3876%	153,414,859	49,455,772	310.21%	57.24%
2015	.3936%	170,488,892	50,638,050	336.68%	54.36%
2016	.4004%	198,433,163	51,858,123	382.65%	50.14%
2017	.4006%	197,850,000	53,334,038	370.96%	51.84%
2018	.3976%	190,868,000	53,544,116	356.47%	54.00%
2019	.3966%	185,540,000	54,597,479	339.83%	55.66%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based on the measurements date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

**Hempfield School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION  
Last 10 Fiscal Years

**Changes of Benefit Terms:**

Measurement period ending June 30, 2017:

Beginning June 12, 2017, with the passage of Act 5 class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

**Changes of Assumptions:**

Measurement period ending June 30, 2016:

Investment rate of return was adjusted from 7.50% to 7.25%.

Inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50% to 5.00%.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**Hempfield School District**  
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
 Year Ended June 30, 2020

Federal Grantor Project Title	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients
<b>Child Nutrition Cluster</b>												
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	\$ -0-	\$ 212,657	\$ 212,657	\$ -0-	\$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - School Breakfast Program (Note 5)	I	10.553	N/A	07/01/19 - 06/30/20	N/A	<u>-0-</u>	<u>73,442</u>	<u>73,442</u>	<u>-0-</u>	<u>-0-</u>
<b>Total</b>								<b>-0-</b>	<b>286,099</b>	<b>286,099</b>	<b>-0-</b>	<b>-0-</b>
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	-0-	721,231	721,231	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program (Note 5)	I	10.555	N/A	07/01/19 - 06/30/20	N/A	-0-	147,852	147,852	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program (Note 2)	I	10.555	N/A	07/01/19 - 06/30/20	N/A	<u>(4,869) A)</u>	<u>190,793 B)</u>	<u>187,063 C)</u>	<u>(8,599) D)</u>	<u>-0-</u>
<b>Total</b>								<b>(4,869)</b>	<b>1,059,876</b>	<b>1,056,146</b>	<b>(8,599)</b>	<b>-0-</b>
<b>Total Child Nutrition Cluster</b>								<b>(4,869)</b>	<b>1,345,975</b>	<b>1,342,245</b>	<b>(8,599)</b>	<b>-0-</b>
U.S. Department of Treasury	Pennsylvania Commission on Crime and Delinquency	COVID-19 - Coronavirus Relief Fund	I	21.019	2020-CS-01-34237	03/01/20 - 10/30/20	381,075	-0-	-0-	48,864	48,864	-0-
General Services Administration	Pennsylvania Department of General Services	Donation of Federal Surplus Personal Property	I	39.003	N/A	07/01/19 - 06/30/20	1,432	\$ -0-	\$ 184	\$ 184	\$ -0-	\$ -0-

See independent auditors' report.

**Hempfield School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2020

Federal Grantor Project Title	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients
<b>Special Education Cluster (IDEA)</b>												
U.S. Department of Education	Lancaster Lebanon Intermediate Unit # 13	Special Education Grants to States	I	84.027	062-200013	07/01/19 - 09/30/20	1,406,965	\$ -0-	\$ 1,406,965	\$ 1,406,965	\$ -0-	\$ -0-
U.S. Department of Education	Lancaster Lebanon Intermediate Unit # 13	Special Education Grants to States	I	84.027	062-190013	07/01/18 - 06/30/19	1,323,694	947,524	947,524	-0-	-0-	-0-
U.S. Department of Education	Lancaster Lebanon Intermediate Unit # 13	Special Education Preschool Grants	I	84.173	131-190013	07/01/19 - 06/30/20	7,667	<u>-0-</u>	<u>7,667</u>	<u>7,667</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Special Education Cluster (IDEA)</b>								<b>947,524</b>	<b>2,362,156</b>	<b>1,414,632</b>	<b>-0-</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-200189	08/16/19 - 09/30/20	860,948	-0-	860,948	860,948	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-190189	08/17/18 - 09/30/19	876,094	<u>123,943</u>	<u>123,943</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
				<b>Total</b>	<b>84.010</b>			<b>123,943</b>	<b>984,891</b>	<b>860,948</b>	<b>-0-</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I/F	84.365	010-200189	08/16/19 - 09/30/20	58,263	-0-	37,455	41,405	3,950	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-190189	08/17/18 - 09/30/19	62,126	<u>17,145</u>	<u>17,750</u>	<u>605</u>	<u>-0-</u>	<u>-0-</u>
				<b>Total</b>	<b>84.365</b>			<b>\$ 17,145</b>	<b>\$ 55,205</b>	<b>\$ 42,010</b>	<b>\$ 3,950</b>	<b>\$ -0-</b>

See independent auditors' report

**Hempfield School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2020

Federal Grantor Project Title	Pass-Through Agency	Federal Program	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-200189	08/16/19 - 09/30/20	178,568	\$ -0-	\$ 166,499	\$ 166,836	\$ 337	\$ -0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-190189	08/17/18 - 09/30/19	190,170	<u>1,752</u>	<u>13,293</u>	<u>11,541</u>	<u>-0-</u>	<u>-0-</u>
<b>Total</b>				<b>84.367</b>				<b>1,752</b>	<b>179,792</b>	<b>178,377</b>	<b>337</b>	<b>-0-</b>
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-200189	08/16/19 - 09/30/20	65,570	-0-	42,152	65,570	23,418	-0-
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-190189	08/17/18 - 09/30/19	61,099	<u>21,821</u>	<u>21,821</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Total</b>				<b>84.424</b>				<b>21,821</b>	<b>63,973</b>	<b>65,570</b>	<b>23,418</b>	<b>-0-</b>
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>								<b><u>\$ 1,107,316</u></b>	<b><u>\$ 4,992,176</u></b>	<b><u>\$ 3,952,830</u></b>	<b><u>\$ 67,970</u></b>	<b><u>\$ -0-</u></b>

Legend

I = Indirect funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report

**Hempfield School District**  
SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
(Continued)  
Year Ended June 30, 2020

**NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**NOTE 3 - DE MINIMIS INDIRECT COST RATE**

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

**NOTE 4 - ACCESS**

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2020 was \$94,687, which was received through the Lancaster-Lebanon Intermediate Unit #13.

**NOTE 5 - SEAMLESS SUMMER PROGRAM**

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

**NOTE 6 - COVID-19**

Federal funding provided by Congress to address the COVID-19 pandemic is identified by "COVID-19" in the federal program column of the schedule of expenditures of federal awards. This includes new grants created by pandemic-related legislation, as well as incremental funding for existing federal programs.

See independent auditors' report.

**INDEPENDENT AUDITOR’S REPORT on INTERNAL CONTROL over FINANCIAL REPORTING and on COMPLIANCE and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED in ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board Officers and Members  
**Hempfield School District**  
Lancaster County, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hempfield School District**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **Hempfield School District’s** basic financial statements and have issued our report thereon dated December 4, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Hempfield 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 **Hempfield School District’s** internal control. Accordingly, we do not express an opinion on the effectiveness of **Hempfield School District’s** internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



December 4, 2020  
Lancaster, Pennsylvania

**INDEPENDENT AUDITOR'S REPORT on COMPLIANCE for each MAJOR PROGRAM and  
on INTERNAL CONTROL over COMPLIANCE REQUIRED by the UNIFORM GUIDANCE**

To the Board Officers and Members  
**Hempfield School District**  
Lancaster County, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited **Hempfield School District's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on **Hempfield School District's** major federal program for the year ended June 30, 2020. **Hempfield School District's** major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

In our opinion, **Hempfield 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 its major federal program for the year ended June 30, 2020.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item #2020-001. Our opinion on the major federal program is not modified with respect to this matter.

**Hempfield School District's** response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **Hempfield School District's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item #2020-001 that we consider to be a significant deficiency.

**Hempfield School District's** response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **Hempfield School District's** response was not subjected to the auditing procedures applied in the audit of the compliance and, accordingly, we express no opinion on it.

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

*Trout CPA*

December 4, 2020  
Lancaster, Pennsylvania

**Hempfield School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
Year Ended June 30, 2020

**A. Summary of Auditors' Results**

1. The independent auditors' report expresses unmodified opinions on the financial statements of **Hempfield School District**.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **Hempfield School District** were disclosed during the audit.
4. No material weaknesses and one significant deficiency relating to the audit of the major federal program are reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for **Hempfield School District** expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for **Hempfield School District** are reported in part C of this schedule.
7. The programs tested as a major federal program are: School Breakfast Program- CFDA #10.553 and National School Lunch Program - CFDA #10.555.
8. The threshold for distinguishing type A and B programs was \$750,000.
9. **Hempfield School District** was determined to be a low-risk auditee.

**B. Findings - Financial Statements Audit**

None

**Hempfield School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2020

**C. Findings and Questioned Costs - Major Federal Awards Programs Audit**

**Significant Deficiency and Compliance Finding**

DEPARTMENT OF AGRICULTURE

#2020-001 - School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555, Year Ended June 30, 2020

Criteria: The School District is required to verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced meals. If the verification process determines changes to applicant free and reduced status, the School District is required to make those changes.

Statement of Condition: The School District sampled the correct number of free and reduced applicant households. However, the School District did not correctly classify and make changes to the free and reduced meal status of two of those households based on the documentation received.

Cause and Effect: Errors in the review of verified free and reduced lunch applications led to the status of two of the verified free and reduced households to be incorrectly classified.

Questioned Costs: None over the reportable threshold of \$25,000

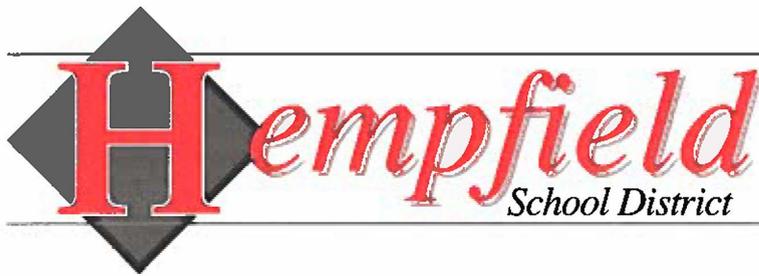
Identification of Repeat Finding: No

Recommendation: Review procedures should be established to ensure that the School District correctly classifies and make changes to the free and reduced meal status based on the documentation received.

Views of Responsible Officials: The School District contracted with a food service consultant beginning in August 2020 to review food service operations and procedures and to provide necessary training to food service staff during the 2020-2021 school year. The consultant provided training to food service staff responsible for approving free and reduced school meals applications to ensure proper determination of free or reduced status for the 2020-2021 school year. The consultant will periodically review applications received throughout the 2020-2021 school year to ensure continued compliance.

**Hempfield School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
Year Ended June 30, 2020

There are no prior audit findings.



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**Michael J. Bromirski, M.Ed., M.B.A.**  
*Superintendent of Schools*  
717•898•5564

**Corrective Action Plan**  
December 4, 2020

Hempfield School District respectfully submits the following corrective action plan for the year ending June 30, 2020.

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

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

Audit Period: July 1, 2019 through June 30, 2020.

The finding from the Schedule of Findings and Questions Costs for the year ended June 30, 2020 is discussed below. The finding is numbered consistently with the number assigned in the schedule:

**Findings – Major Federal Awards Programs Audit**

**Significant Deficiency and Compliance Finding**

#2020-001 - School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555, Year Ended June 30, 2020

Criteria: The School District is required to verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced meals. If the verification process determines changes to applicant free and reduced status, the School District is required to make those changes.

Statement of Condition: The School District sampled the correct number of free and reduced applicant households. However, the School District did not correctly classify and make changes to the free and reduced meal status of two of those households based on the documentation received.

Cause and Effect: Errors in the review of verified free and reduced lunch applications led to the status of two of the verified free and reduced households to be incorrectly classified.

Questioned Costs: None over the reportable threshold of \$25,000

Identification of Repeat Finding: No

Recommendation: Review procedures should be established to ensure that the School District correctly classifies and make changes to the free and reduced meal status based on the documentation received.

Views of Responsible Officials:

The District contracted with a food service consultant beginning in August 2020 to review food service operations and procedures and to provide necessary training to food service staff during the 2020-2021 school year. The consultant provided training to food service staff responsible for approving Free and Reduced School Meals Applications to ensure proper determination of free or reduced status for the 2020-2021 school year. The consultant will periodically review applications received throughout the 2020-2021 school year to ensure continued compliance.

If the United States Department of Education has questions regarding this plan, please call Michael Bromirski at 717-898-5564.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Bromirski". The signature is written in a cursive, flowing style.

Michael J. Bromirski  
Superintendent  
Hempfield School District