

Hempfield School District

Year Ended June 30, 2021

Hempfield School District

Financial Statements with Supplementary Information

Year Ended June 30, 2021

TABLE of CONTENTS

	Page
Independent Auditors' Report	1 & 2
Required Supplementary Information	
Management's Discussion and Analysis	3 - 13
Basic Financial Statements	
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 - 65
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	66

Hempfield School District

Financial Statements with Supplementary Information

Year Ended June 30, 2021

TABLE of CONTENTS (Continued)

	Page
Required Supplementary Information (Continued)	
Notes to Required Supplementary Information	67
Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios - Single-Employer Defined Benefit OPEB Plan	68
Notes to Required Supplementary Information - Single-Employer Defined Benefit OPEB Plan	69
Schedule of Employer Contributions - Public School Employee's Retirement System (PSERS) Health Insurance Premium Assistance Plan	70
Notes to Required Supplementary Information - PSERS Health Insurance Premium Assistance Plan	71
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability - PSERS Health Insurance Premium Assistance Plan	72
Schedule of Employer Contributions - Public School Employees' Retirement System	73
Schedule of School District's Proportionate Share of the Net Pension Liability - Public School Employees' Retirement System	74
Notes to Required Supplementary Information	75
Supplementary Information	
Schedule of Expenditures of Federal Awards	76 - 79
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>	80 & 81
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance	82 & 83
Schedule of Findings and Questioned Costs	84 - 86
Summary Schedule of Prior Audit Findings	87
Corrective Action Plan	88 - 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, 2021, 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 misstatement, 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, 2021, 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.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2021 the School District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities* and changed its accounting policy for the capital project and capital reserve fund presentation. Our opinions are not modified with respect to this matter.

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 66 through 67, the other postemployment benefits (OPEB) health care benefits plan information on pages 68 through 72, and the pension information on pages 73 through 75 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 March 3, 2022, on our consideration of **Hempfield School District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



March 3, 2022
Lancaster, Pennsylvania

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
Year Ended June 30, 2021

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, 2021. 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 2021 are as follows:

- Total governmental and business-type assets and deferred outflows of resources increased \$3.6 million to \$218.7 million. Cash and investment balances increased \$1.1 million while the value of net capital assets declined \$4.7 million primarily as a result of \$5.4 million of depreciation expense with only \$.8 million of capital additions placed into service during the fiscal year. Deferred outflows of resources related to the pension and other postemployment benefits liabilities increased \$6.7 million. Total governmental and business-type liabilities increased by \$1.7 million primarily due to the \$7.5 million increase in net pension liability and the \$7.3 million decrease in bonds payable, net of unamortized discount and premium.
- Total governmental activities revenues and transfers totaled \$127.3 million. General revenues and transfers accounted for \$103.4 million, or 82% of this total, while program specific charges for services, grants, or contributions represented \$23.9 million or 18%. Governmental revenues increased \$1.1 million from last year. Total tax revenues increased \$2.2 million while investment earnings decreased \$700,000.
- The School District had \$125.2 million in expenses related to governmental activities; \$23.9 million of these expenses were offset by program specific charges for services, grants, or contributions. General revenues, including \$88.6 million of taxes, provided for these expenses. Net position increased \$2.0 million for governmental activities. Pension and OPEB expenses of approximately \$1.3 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 \$128.0 million in revenues and \$126.0 million in expenditures and transfers. This resulted in an increase of \$1.5 million in the general fund balance, increasing the general fund's fund balance to \$20.9 million.

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.

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

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 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.

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

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 custodian for assets that belong to others, such as student-led activities funds. These activities are excluded from the school 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 2021 compared to 2020:

Table 1
Net Position at June 30
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current Assets	66.7	64.7	(.1)	.2	66.6	64.9
Noncurrent Assets	<u>121.0</u>	<u>126.5</u>	<u>.7</u>	<u>.0</u>	<u>121.7</u>	<u>126.5</u>
Total Assets	187.7	191.2	.6	.2	188.3	191.4
 Deferred Outflow of Resources	 29.8	 23.2	 .6	 .5	 30.4	 23.7

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

THE SCHOOL DISTRICT as a WHOLE (Continued)

Statement of Net Position (Continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Liabilities						
Current Liabilities	27.1	26.8	.2	.2	27.3	27.0
Noncurrent Liabilities	<u>291.6</u>	<u>290.4</u>	<u>4.3</u>	<u>4.1</u>	<u>295.9</u>	<u>294.5</u>
Total Liabilities	318.7	317.2	4.5	4.3	323.2	321.5
 Deferred Inflows of Resources	 8.3	 8.7	 .1	 .2	 8.4	 8.9
 Net Position						
Net Investment in Capital Assets	43.6	41.5	.7	.8	44.3	42.3
Unrestricted (Deficit)	<u>(153.1)</u>	<u>(153.1)</u>	<u>(4.1)</u>	<u>(4.6)</u>	<u>(157.2)</u>	<u>(157.7)</u>
Total Net Position	(109.5)	(111.6)	(3.4)	(3.8)	(112.9)	(115.4)

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 \$112.9 million on June 30, 2021. 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 \$189.5 million for 2021.

Governmental Activities

- Current assets increased \$2.0 million which was primarily due to revenue growth in the general fund.
- Noncurrent assets decreased \$5.5 million, from \$126.5 million to \$121.0 million. This decrease is a result primarily of the recognition of \$5.4 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 increased \$430,000. Included in the increased net position was depreciation of \$109,000, net pension expense recognized in the amount of \$17,000 and \$10,000 of additional OPEB expense. The effect of the COVID-19 pandemic significantly impacted food service operations when charges for services significantly decreased but operations continued in an effort to provide meals to students. The School District did receive additional federal support for operations. The primary reason for the increase in net position is a transfer in from the general fund of \$779,459 to forgive prior years interfund advances.

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

THE SCHOOL DISTRICT as a WHOLE (Continued)

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services	.7	1.0	.4	1.6	1.1	2.6
Operating Grants and Contributions	22.1	20.6	2.4	1.7	24.5	22.3
Capital Grants and Contributions	1.1	1.0	.0	.0	1.1	1.0
General Revenues and Transfers:						
Property and Other Taxes	88.6	86.4	.0	.0	88.6	86.4
Grants and Entitlements	15.0	15.0	.0	.0	15.0	15.0
Other	<u>(.2)</u>	<u>1.1</u>	<u>.8</u>	<u>.0</u>	<u>.5</u>	<u>1.1</u>
Total Revenues	127.3	125.1	3.6	3.3	130.9	128.4
Expenses						
Program Expenses:						
Instruction	87.4	85.3	.0	.0	87.4	85.3
Support Services:						
Instructional Student Support	9.5	9.1	.0	.0	9.5	9.1
Administrative and Financial Support Services	11.3	11.5	.0	.0	11.3	11.5
Operation and Maintenance of Plant Services	8.1	7.8	.0	.0	8.1	7.8
Pupil Transportation	4.4	4.1	.0	.0	4.4	4.1
Student Activities	1.8	1.9	.0	.0	1.8	1.9
Interest on Long-Term Debt	1.7	2.6	.0	.0	1.7	2.6
Unallocated Depreciation Expense	1.0	1.0	.0	.0	1.0	1.0
Food Service and Day Care Operations	<u>.0</u>	<u>.0</u>	<u>3.2</u>	<u>3.8</u>	<u>3.2</u>	<u>3.8</u>
Total Expenses	125.2	123.3	3.2	3.8	128.4	127.1
Increase (Decrease) in Net Position	2.1	1.8	.4	(.5)	2.5	1.3

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.

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

THE SCHOOL DISTRICT as a WHOLE (Continued)

Statement of Activities (Continued)

Table 3
Governmental Activities at June 30
(In Millions)

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction	87.4	85.3	70.6	69.4
Support Services:				
Instructional Student Support	9.5	9.1	8.2	8.0
Administrative and Financial Support Services	11.3	11.5	9.9	10.0
Operation and Maintenance of Plant Services	8.1	7.8	6.9	7.2
Pupil Transportation	4.4	4.1	2.5	2.0
Student Activities	1.8	1.9	1.6	1.5
Interest on Long-Term Debt	1.7	2.6	.7	1.6
Unallocated Depreciation Expense	<u>1.0</u>	<u>1.0</u>	<u>.9</u>	<u>1.1</u>
Total Governmental Activities	125.2	123.3	101.3	100.8

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 \$88.6 million, or 85.7% of the \$103.4 million general governmental revenues. Program related grants, subsidies and charges for services provided \$23.9 million of funding for program expenses, and \$15.5 million of additional grants, subsidies, interest, and other revenues provided for other expenses after the offset of asset disposals.
- Total tax revenues increased \$2.2 million due primarily to increases in real estate transfer tax, and earned income tax revenue. Real estate assessments have also increased in the School District. The mileage rate for the 2020-2021 year was 16.3474, no increase from the 2019-2020 year.

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

THE SCHOOL DISTRICT as a WHOLE (Continued)

Governmental Activities (Continued)

Total expenses for governmental activities have increased by \$1.9 million. Salary and benefit increases led to increased expenses of \$1,000,000 which was less than budgeted due to the COVID-19 school closures. PSERS retirement costs continue to rise leading to increased expenses of approximately \$194,000. The employer rate increased from 34.29% in 2019-2020 to 34.51% in 2020-2021. Medical, prescription, and dental claims increased by \$2.5 million in 2020-2021 compared to 2019-2020.

Business-Type Activities

Business-type activities consist of food service operations. The child care venture ceased operations during the current year. The child nutrition program had revenues, including state and federal support and transfers in, of \$3.6 million, and expenses of \$3.2 million for the fiscal year 2021, which resulted in a profit of \$432,000 for food service operations. Of this amount, \$109,000 represents depreciation expense and \$27,000 as additional pension and OPEB expenses. On a cash basis, food service recognized actual operating profit of approximately \$568,000. Food service operations had been showing improvement compared to prior years and, the impacts of COVID-19 and the Federal Waivers provided for higher reimbursement rate thus increasing federal and state revenues. 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. The large transfer in from the general fund's intention was to allow the food service fund to focus on future operational improvements.

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 \$128.1 million and expenditures of \$125.7 million. Other financing sources used \$.6 million, resulting in an increase to total fund balances of \$1.8 million.

General Fund

The general fund balance increased by \$2.1 million to a total of \$21.0 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. An amount of \$3.0 million has been committed to manage future increases in retirement contributions to PSERS, and \$7.9 million has been assigned for future capital projects. Non-spendable fund balance is \$72,000 leaving approximately \$10.0 million remaining as unassigned fund balance.

With these transactions recorded, the unassigned fund balance test yields a 7.5% fund balance against the 2021-2022 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.

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

THE SCHOOL DISTRICT'S FUNDS (Continued)

Debt Service Fund

The debt service fund had a net increase of \$16,000 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 2016 bonds.

Capital Project and Capital Reserve Funds

The capital reserve fund and bond construction fund total balance decreased by \$313,000 to \$18.1 million. 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 School District began a feasibility study in 2019, capital expenditures have continued to be minimal pending the final report of necessary School District upgrades to existing buildings. Capital expenditures in 2020-2021 were \$357,000.

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 2021, 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.

For the general fund, actual revenues were \$128.1 million, which was approximately \$4.3 million more than the original budget estimates for revenues. Local sourced revenues were \$3.8 million more than budget, primarily due to increases in local tax revenues of \$3.1 million. Investment income resulted in almost \$337,000 earnings under the budgeted revenue. State revenues of \$34.0 million were \$600,000 more than budget and federal revenues of \$2.1 million were comparable to budget.

Actual expenditures for the year were \$126.0 million, \$116.2 million of that amount for instructional and operational expenses and \$9.8 million for fund transfers and debt service. These amounts were approximately \$2.5 million less than the budgeted expenses. Due to the uncertainty surrounding the COVID-19 pandemic, for the first several months, all non-essential spending was shutdown with purchases primarily focused on essential safety and Personal Protective Equipment (PPE) type of purchases.

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

CAPITAL ASSETS and DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the School District had \$121.7 million invested in land, buildings, equipment, vehicles, and construction in progress in combined governmental and business-type activities. Table 4 shows the fiscal year 2021 balance compared to 2020.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	4.7	4.7	.0	.0	4.7	4.7
Building and Building Improvements	107.2	111.4	.0	.0	107.2	111.4
Furniture, Equipment, and Vehicles	8.9	9.5	.7	.8	9.6	10.3
Construction in Progress	<u>.2</u>	<u>.1</u>	<u>.0</u>	<u>.0</u>	<u>.2</u>	<u>.1</u>
Total Capital Assets	121.0	125.7	.7	.8	121.7	126.5

Property and equipment additions were \$800,000 for the year 2020-2021. Although there have been no major building projects in recent years, the School 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 \$5.4 million was recorded.

Debt Administration

At June 30, 2021, the School District had \$81.2 million in bonds outstanding, with \$6.4 million in principle due within one year. Table 5 summarizes bonds outstanding:

Table 5
Outstanding Debt at Year End
(In Millions)

	Governmental Activities	
	2021	2020
General Obligation Bonds:		
2016 Bond Refinancing	.0	8.4
2016A Bond Refinancing	5.5	6.8
2017 Bond Refinancing	8.9	8.9
2019A Bond Refinancing	12.1	13.8
2019AA Bond Refinancing	4.7	5.6
2020A Bond Refinancing	32.0	34.2
2020AA Bond Financing	10.0	10.0
2021 Bond Refinancing	<u>8.0</u>	<u>.0</u>
	81.2	87.7

See independent auditors' report.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

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.

COVID-19 continues to be affecting the School Districts operations. The School District provided its students an option of in-person or asynchronously remote learning for the 20-21 school year. Approximately 8% of our students participated in the asynchronously learning to start the school year, by mid-year the majority of those asynchronous students returned to in person learning. Local tax revenues for the School District remained stronger than projected. The School District has not been negatively impacted by long term economic scarring due to COVID-19.

The School District enrollment has stayed consistent over the past few years, and there are several residential housing projects in various planning phases within the School District boundaries over the next 4 years. The School District has engaged with a vendor to continue to monitor and update both short and long term enrollment projections. School District enrollment remains at approximately 7,000 students. The School District has completed a feasibility study looking at all School District buildings to identify building capacity and potential upgrades factoring in code compliance, 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 School District to identify and prioritize building needs across the School District.

As a result of this feasibility study, the School 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 School District wide buildings. 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 are still being developed. 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 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, 2020, special education students comprised 19.3% of total enrollment (up from 18.8% of total enrollment at December 1, 2019). 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.

Hempfield School District
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended June 30, 2021

FOR the FUTURE (Continued)

Act 1 of 2006 puts a ceiling on the amount of real estate taxes a school district can levy. Act 1 base index for 2021-2022 was 3.0% with the adjusted allowable index going to 3.5%. The School District passed its 2021-2022 budget to include an increase of 2%. However, the School District did experience assessment growth in the 2020-2021 school year, \$14.2 million increase in the tax base resulting in .27% growth over the 2019-2020 year. There are numerous residential and commercial building projects underway within School District boundaries. Administration will continue to watch the growth trends as tax revenues will be essential in the School 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 34.94% for the 2021-2022 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 38.42% employer expense in the 2028-2029 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 Chief Financial and Operations Officer at **Hempfield School District**, 200 Church Street, Landisville, PA 17538.

Hempfield School District

STATEMENT of NET POSITION

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 34,214,120	\$ 374,442	\$ 34,588,562
Investments	23,254,993	9,386	23,264,379
Taxes Receivable, net	2,747,007	-0-	2,747,007
Internal Balances	525,915	(525,915)	-0-
Due from Other Governments	5,544,350	-0-	5,544,350
Other Current Assets	367,767	6,990	374,757
Inventories	77	34,598	34,675
Total Current Assets	66,654,229	(100,499)	66,553,730
Noncurrent Assets			
Non-Depreciable Capital Assets	4,881,496	-0-	4,881,496
Depreciable Capital Assets, net	116,162,769	708,167	116,870,936
Total Noncurrent Assets	121,044,265	708,167	121,752,432
TOTAL ASSETS	187,698,494	607,668	188,306,162
DEFERRED OUTFLOWS of RESOURCES			
Pension	27,376,000	559,000	27,935,000
Other Postemployment Benefits	2,472,000	50,000	2,522,000
TOTAL DEFERRED OUTFLOWS of RESOURCES	\$ 29,848,000	\$ 609,000	\$ 30,457,000

See notes to financial statements.

Hempfield School District

STATEMENT of NET POSITION

(Continued)

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 2,972,470	\$ 27,233	\$ 2,999,703
Current Portion of Long-Term Debt	6,435,000	-0-	6,435,000
Accrued Salaries and Benefits	13,979,866	-0-	13,979,866
Compensated Absences, Due Within One Year	1,002,502	11,905	1,014,407
Accrued Interest on Long-Term Debt	722,000	-0-	722,000
Payroll Deductions and Withholdings	657,274	-0-	657,274
Due to Other Governments	762,858	-0-	762,858
Unearned Revenues	398,170	120,883	519,053
Other Current Liabilities	184,023	-0-	184,023
Total Current Liabilities	27,114,163	160,021	27,274,184
Noncurrent Liabilities			
Net Pension Liability	189,157,000	3,860,000	193,017,000
Bonds Payable, net of Unamortized Discount and Premium	81,322,794	-0-	81,322,794
Accrued Retirement Bonuses	852,173	3,060	855,233
Long-Term Portion of Compensated Absences	2,194,075	52,175	2,246,250
Net Other Postemployment Benefit (OPEB) Liability	18,111,000	370,000	18,481,000
Total Noncurrent Liabilities	291,637,042	4,285,235	295,922,277
TOTAL LIABILITIES	318,751,205	4,445,256	323,196,461
DEFERRED INFLOWS of RESOURCES			
Gain on Bond Refunding, net of Accumulated Amortization	4,955	-0-	4,955
Pension	6,724,000	137,000	6,861,000
Other Postemployment Benefits	1,610,000	33,000	1,643,000
TOTAL DEFERRED INFLOWS of RESOURCES	8,338,955	170,000	8,508,955
NET POSITION			
Net Investment in Capital Assets	43,597,596	708,167	44,305,763
Unrestricted (Deficit)	(153,141,262)	(4,106,755)	(157,248,017)
TOTAL NET POSITION	\$ (109,543,666)	\$ (3,398,588)	\$ (112,942,254)

See notes to financial statements.

Hempfield School District

STATEMENT of ACTIVITIES

Year Ended June 30, 2021

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	\$ 87,440,999	\$ 130,117	\$ 16,664,934	\$ -0-	\$ (70,645,948)	\$ -0-	\$ (70,645,948)
Instructional Student Support	9,483,518	-0-	1,211,702	-0-	(8,271,816)	-0-	(8,271,816)
Administrative and Financial Support Services	11,303,117	24,523	1,377,584	-0-	(9,901,010)	-0-	(9,901,010)
Operation and Maintenance of Plant Services	8,152,304	83,422	1,120,850	45,000	(6,903,032)	-0-	(6,903,032)
Pupil Transportation	4,425,712	401,499	1,520,798	-0-	(2,503,415)	-0-	(2,503,415)
Student Activities	1,820,374	25,239	197,532	-0-	(1,597,603)	-0-	(1,597,603)
Community Services	9,408	-0-	9,408	-0-	-0-	-0-	-0-
Interest on Long-Term Debt	1,726,815	-0-	-0-	1,045,364	(681,451)	-0-	(681,451)
Depreciation - Unallocated *	908,077	-0-	-0-	-0-	(908,077)	-0-	(908,077)
Total Governmental Activities	125,270,324	664,800	22,102,808	1,090,364	(101,412,352)	-0-	(101,412,352)
Business-Type Activities:							
Food Service	<u>3,214,601</u>	<u>436,364</u>	<u>2,424,232</u>	<u>6,826</u>	<u>-0-</u>	<u>(347,179)</u>	<u>(347,179)</u>
Total Government	<u>\$ 128,484,925</u>	<u>\$ 1,101,164</u>	<u>\$ 24,527,040</u>	<u>\$ 1,097,190</u>	\$ (101,412,352)	\$ (347,179)	\$ (101,759,531)

* Excludes depreciation charged directly to various functions.

See notes to financial statements.

Hempfield School District

STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2021

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					\$ 78,556,715	\$ -0-	\$ 78,556,715
Public Utility Realty and Earned Income							
Taxes Levied for General Purposes, net					10,094,767	-0-	10,094,767
Unrestricted Grants and Subsidies					15,030,155	-0-	15,030,155
Unrestricted Investment Earnings					151,865	119	151,984
Miscellaneous Income					446,626	-0-	446,626
Loss on Fixed Asset Dispositions					(73,562)	-0-	(73,562)
Transfers In (Out)					(779,459)	779,459	-0-
Total General Revenues and Transfers					103,427,107	779,578	104,206,685
CHANGES in NET POSITION					2,014,755	432,399	2,447,154
NET POSITION							
Beginning					(111,558,421)	(3,830,987)	(115,389,408)
Ending					<u>\$ (109,543,666)</u>	<u>\$ (3,398,588)</u>	<u>\$ (112,942,254)</u>

See notes to financial statements.

Hempfield School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	Major Funds				
	General Fund	Debt Service Fund	Capital Project Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 17,564,756	\$ 4,566,158	\$ -0-	\$ 7,775,472	\$ 29,906,386
Investments	12,886,065	6,042	10,362,886	-0-	23,254,993
Taxes Receivable, net	2,747,007	-0-	-0-	-0-	2,747,007
Due from Other Funds	526,230	-0-	-0-	46,806	573,036
Due from Other Governments	5,544,350	-0-	-0-	-0-	5,544,350
Other Receivables	46,527	-0-	-0-	-0-	46,527
Inventories	77	-0-	-0-	-0-	77
Prepaid Expenses	71,715	-0-	-0-	-0-	71,715
TOTAL ASSETS	39,386,727	4,572,200	10,362,886	7,822,278	62,144,091
LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES					
LIABILITIES					
Accounts Payable	1,781,242	-0-	-0-	46,806	1,828,048
Due to Other Funds	-0-	-0-	46,806	-0-	46,806
Accrued Salaries and Benefits	13,979,866	-0-	-0-	-0-	13,979,866
Payroll Deductions and Withholdings	657,274	-0-	-0-	-0-	657,274
Due to Other Governments	762,858	-0-	-0-	-0-	762,858
Unearned Revenues	398,170	-0-	-0-	-0-	398,170
Other Liabilities	184,023	-0-	-0-	-0-	184,023
TOTAL LIABILITIES	17,763,433	-0-	46,806	46,806	17,857,045
DEFERRED INFLOWS of RESOURCES					
Delinquent Real Estate Taxes	649,159	-0-	-0-	-0-	649,159
FUND BALANCES					
Nonspendable	71,792	-0-	-0-	-0-	71,792
Restricted	-0-	-0-	10,316,080	-0-	10,316,080
Committed	3,000,000	-0-	-0-	-0-	3,000,000
Assigned	7,902,343	4,572,200	-0-	7,775,472	20,250,015
Unassigned	10,000,000	-0-	-0-	-0-	10,000,000
TOTAL FUND BALANCES	20,974,135	4,572,200	10,316,080	7,775,472	43,637,887
TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES	\$ 39,386,727	\$ 4,572,200	\$ 10,362,886	\$ 7,822,278	\$ 62,144,091

See notes to financial statements.

Hempfield School District
RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
June 30, 2021

Total fund balances - governmental funds \$ 43,637,887

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$217,280,528 and the accumulated depreciation is \$96,236,263. 121,044,265

Internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position. 3,412,522

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. 649,159

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Net Pension Liability	(189,157,000)
Bonds Payable	(81,200,000)
Accrued Interest on Long-Term Debt	(722,000)
Bond Discount, net of Amortization	24,179
Bond Premium, net of Amortization	(6,581,973)
Net Other Postemployment Benefit (OPEB) Liability	(18,111,000)
Accrued Retirement Bonuses	(852,173)
Compensated Absences	(3,196,577)

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. (8,338,955)

Deferred outflows of resources - pension and OPEB are not due and payable in the current period and, therefore, are not reported in the funds. 29,848,000

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (109,543,666)

See notes to financial statements.

Hempfield School District

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - GOVERNMENTAL FUNDS Year Ended June 30, 2021

	Major Funds				
	General Fund	Debt Service Fund	Capital Project Fund	Capital Reserve Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Real Estate Taxes	\$ 78,599,660	\$ -0-	\$ -0-	\$ -0-	\$ 78,599,660
Other Taxes	10,054,767	-0-	-0-	-0-	10,054,767
Investment Earnings	97,882	9,842	12,389	31,752	151,865
Other Revenue	3,239,316	-0-	-0-	-0-	3,239,316
Total Local Sources	91,991,625	9,842	12,389	31,752	92,045,608
State Sources	33,995,822	-0-	-0-	-0-	33,995,822
Federal Sources	2,106,286	-0-	-0-	-0-	2,106,286
Total Revenues	128,093,733	9,842	12,389	31,752	128,147,716
EXPENDITURES					
Instructional Services	82,028,800	-0-	-0-	-0-	82,028,800
Support Services	32,373,102	-0-	-0-	-0-	32,373,102
Noninstructional Services	1,795,102	-0-	-0-	-0-	1,795,102
Capital Outlay	-0-	-0-	344,227	12,907	357,134
Debt Service	-0-	9,178,293	-0-	-0-	9,178,293
Miscellaneous	6,708	-0-	-0-	-0-	6,708
Total Expenditures	116,203,712	9,178,293	344,227	12,907	125,739,139
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	11,890,021	(9,168,451)	(331,838)	18,845	2,408,577
OTHER FINANCING SOURCES (USES)					
Refunding Bond Proceeds	-0-	8,020,000	-0-	-0-	8,020,000
Payments to Refunded Bond Escrow Agent	-0-	(8,376,648)	-0-	-0-	(8,376,648)
Premium on Bonds	-0-	515,544	-0-	-0-	515,544
Transfers In (Out)	(9,804,896)	9,025,437	-0-	-0-	(779,459)
Net Other Financing Sources (Uses)	(9,804,896)	9,184,333	-0-	-0-	(620,563)
NET CHANGES in FUND BALANCES	2,085,125	15,882	(331,838)	18,845	1,788,014
FUND BALANCES					
Beginning (Note 19)	18,889,010	4,556,318	10,647,918	7,756,627	41,849,873
Ending	<u>\$ 20,974,135</u>	<u>\$ 4,572,200</u>	<u>\$ 10,316,080</u>	<u>\$ 7,775,472</u>	<u>\$ 43,637,887</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, 2021

Total net changes in fund balances - governmental funds \$ 1,788,014

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	(73,562)	
Depreciation Expense	(5,373,807)	
Capital Outlays	<u>751,180</u>	(4,696,189)

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 decreased by this amount this year. (2,945)

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. (7,438,273)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 14,510,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. \$ 68,000

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, 2021

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.

\$ (295,285)

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.

(12,697)

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.

(431,000)

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.

(908,000)

The internal service fund, which is used by management to charge the costs of services to individual funds, is 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 fund is allocated among the governmental activities.

(566,870)

CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES

\$ 2,014,755

Hempfield School District

STATEMENT of NET POSITION -

PROPRIETARY FUNDS

June 30, 2021

	Major Enterprise Fund Food Service Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 374,442	\$ 4,307,734
Investments	9,386	-0-
Other Receivables	6,990	179,560
Inventories	34,598	-0-
Prepaid Expenses	-0-	69,650
Total Current Assets	425,416	4,556,944
Noncurrent Assets		
Furniture and Equipment, net of Accumulated Depreciation	708,167	-0-
TOTAL ASSETS	1,133,583	4,556,944
DEFERRED OUTFLOWS of RESOURCES		
Pension	559,000	-0-
Other Postemployment Benefits	50,000	-0-
TOTAL DEFERRED OUTFLOWS of RESOURCES	609,000	-0-
TOTAL ASSETS and DEFERRED OUTFLOWS of RESOURCES	1,742,583	4,556,944
LIABILITIES		
Current Liabilities		
Accounts Payable	27,233	1,144,422
Due to Other Funds	525,915	-0-
Compensated Absences, Due Within One Year	11,905	-0-
Unearned Revenues	120,883	-0-
Total Current Liabilities	685,936	1,144,422
Noncurrent Liabilities		
Accrued Retirement Bonuses	3,060	-0-
Net Pension Liability	3,860,000	-0-
Net Other Postemployment Benefits (OPEB) Liability	370,000	-0-
Long-Term Portion of Compensated Absences	52,175	-0-
Total Noncurrent Liabilities	4,285,235	-0-
TOTAL LIABILITIES	4,971,171	1,144,422
DEFERRED INFLOWS of RESOURCES		
Pension	137,000	-0-
Other Postemployment Benefits	33,000	-0-
TOTAL DEFERRED INFLOWS of RESOURCES	170,000	-0-
TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES	5,141,171	1,144,422
NET POSITION		
Net Investment in Capital Assets	708,167	-0-
Unrestricted (Deficit)	(4,106,755)	3,412,522
TOTAL NET POSITION	\$ (3,398,588)	\$ 3,412,522

See notes to financial statements.

Hempfield School District

STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION - PROPRIETARY FUNDS Year Ended June 30, 2021

	Major Enterprise Fund	Internal Service Fund
	Food Service Fund	
OPERATING REVENUES		
Food Service Revenue	\$ 332,599	\$ -0-
Charges for Services	97,020	13,517,721
Miscellaneous	6,745	-0-
	<hr/>	<hr/>
Total Operating Revenues	436,364	13,517,721
OPERATING EXPENSES		
Salaries	1,079,111	-0-
Employee Benefits	762,548	14,091,826
Purchased Professional and Technical Services	157,215	-0-
Other Purchased Services	630	-0-
Supplies	1,099,442	-0-
Depreciation	108,769	-0-
Other Operating Expenses	6,886	-0-
	<hr/>	<hr/>
Total Operating Expenses	3,214,601	14,091,826
OPERATING LOSS	(2,778,237)	(574,105)
NONOPERATING REVENUES		
Investment Earnings	119	7,235
State Sources	291,142	-0-
Federal Sources	2,139,916	-0-
	<hr/>	<hr/>
Net Nonoperating Revenues	2,431,177	7,235
Loss Before Transfers In	(347,060)	(566,870)
TRANSFERS IN	779,459	-0-
	<hr/>	<hr/>
CHANGES in NET POSITION	432,399	(566,870)
NET POSITION		
Beginning	(3,830,987)	3,979,392
Ending	\$ (3,398,588)	\$ 3,412,522
	<hr/>	<hr/>

See notes to financial statements.

Hempfield School District

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 2021

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
CASH FLOWS from OPERATING ACTIVITIES		
Cash Received from Users	\$ 419,653	\$ 13,517,721
Cash Payments to Employees for Services	(1,087,635)	-0-
Cash Payments for Employee Benefits	(735,548)	(14,108,714)
Cash Payments to Suppliers for Goods and Services	(1,080,655)	-0-
Cash Payments for Other Operating Expenses	(6,886)	(127)
Net Cash Used by Operating Activities	(2,491,071)	(591,120)
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES		
Purchase of Capital Acquisitions	(51,292)	-0-
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
State Sources	291,142	-0-
Federal Sources	1,958,353	-0-
Interfund Transfers	534,084	-0-
Net Cash Provided by Noncapital Financing Activities	2,783,579	-0-
CASH FLOWS from INVESTING ACTIVITIES		
Investment Earnings	119	7,235
Decrease to Investment Pools	129,817	2,697,568
Net Cash Provided by Investing Activities	129,936	2,704,803
INCREASE in CASH and CASH EQUIVALENTS	371,152	2,113,683
CASH and CASH EQUIVALENTS		
Beginning of Year	3,290	2,194,051
End of Year	\$ 374,442	\$ 4,307,734

See notes to financial statements.

Hempfield School District

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

(Continued)

Year Ended June 30, 2021

	Major	
	<u>Enterprise Fund</u>	
	Food Service Fund	Internal Service Fund
RECONCILIATION of OPERATING LOSS to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES		
Operating Loss	\$ (2,778,237)	\$ (574,105)
ADJUSTMENTS to RECONCILE OPERATING LOSS to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES		
Depreciation	108,769	-0-
Donated Commodities Used	181,563	-0-
Pension - Changes Other than Periodic Pension Cost	17,000	-0-
OPEB - Related Changes Other than Periodic OPEB Costs	10,000	-0-
Increase in Receivables	(6,648)	(90,319)
Decrease in Inventory	6,201	-0-
Increase in Prepaid Expenses	-0-	(69,650)
Increase (Decrease) in Accounts Payable	(11,131)	142,954
Decrease in Accrued Salaries and Benefits	(8,524)	-0-
Decrease in Unearned Revenue	(10,064)	-0-
Total Adjustments	287,166	(17,015)
Net Cash Used by Operating Activities	\$ (2,491,071)	\$ (591,120)

SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION

NONCASH and RELATED FINANCING ACTIVITIES

Receipt of USDA Donated Commodities	181,563	-0-
Forgiveness of Prior Year Interfund Advance Payable through Interfund Transfer	665,992	-0-

See notes to financial statements.

Hempfield School District

STATEMENT of NET POSITION -

FIDUCIARY FUNDS

June 30, 2021

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	<u><u>\$ 215,764</u></u>
LIABILITIES	
Accounts Payable	4,418
Due to Other Funds	<u>315</u>
TOTAL LIABILITIES	<u><u>4,733</u></u>
NET POSITION	
Restricted	<u><u>\$ 211,031</u></u>

See notes to financial statements.

Hempfield School District
 STATEMENT of CHANGES in NET POSITION -
 FIDUCIARY FUNDS
 Year Ended June 30, 2021

	Custodial Fund
ADDITIONS	
Student Activity Revenues	\$ 81,531
DEDUCTIONS	
Student Activity Expenses	<u>82,003</u>
CHANGES in NET POSITION	(472)
NET POSITION	
Beginning, as Restated (Note 19)	<u>211,503</u>
Ending	<u>\$ 211,031</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, 2021, was approximately \$1,125,000. The School District has entered into an operation lease with the LCCTC as more fully disclosed in Note 18. 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 18. The School District's lease payment to the Authority for the year ended June 30, 2021, was approximately \$156,000, 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, 2021. 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, 2021, was approximately \$7,558,000. 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, 2021, was \$108,254. 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 \$225,000. The pool reimburses monies to the School District for individual claims above \$225,000 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, 2021, was approximately \$1,053,000 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 \$7,296 to the Commission for facilities rentals, during the year ended June 30, 2021.

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, liabilities, deferred outflows and 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, liabilities, and deferred outflows and inflows 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 fund 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 Reserve Fund - This fund is used to account for 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.

Capital Project Fund - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, related to bond funded construction projects.

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.

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 reports the custodial fund, which is used to account for assets held by the School District as custodian for others. This fund accounts for the receipts and disbursements of monies related to student-led activities.

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 outflows and inflows 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, 2021, which are not intended to finance fiscal 2021 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, revenue from non-exchange 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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 and in money market accounts. 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 2a7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

Taxes Receivable and Deferred 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

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, 2021. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. The inventory cost is recorded as an asset in the governmental funds, offset by fund balance classified as nonspendable in an equal amount.

Inventories in the cafeteria fund represented the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2021, and also included the value of commodities donated by the federal government. Any unused commodities donated by the federal government were reported as deferred revenue until used.

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 amortized over the life of the bonds using the effective interest method, as well as swap termination payments. They are re-categorized as gain on bond refinancing 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 is 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)

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, 2021, 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.

Fund Balance Classification

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

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

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 Chief Financial & Operations Officer. 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. 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.

Current Year Changes in Accounting Principles

During the current year, the School District adopted GASB 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. Upon implementation of this standard, the assets of the former private purpose trust fund were moved into the general fund and the former agency fund is now reported as a custodial fund. See Note 19 for prior period adjustments related to the adoption of this standard.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Changes in Accounting Principles

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.

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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

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 deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

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, 2021, \$34,639,929 of the School District's bank balance of \$35,139,929 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>34,639,929</u>
	34,639,929

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	34,639,929
Insured Amount	<u>500,000</u>
Bank Balance	35,139,929
Outstanding Checks	(339,105)
Deposits in Transit	<u>657</u>
Carrying Amount - Bank Balances	34,801,481
Petty Cash	<u>2,845</u>
Total Cash and Cash Equivalents per Financial Statements	34,804,326

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

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

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.

Investments' fair value measurements are as follows at June 30, 2021:

Investments	Recorded Value	Fair Value Measurement Using			Maturity
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments Recorded at Fair Value					
Money Market Mutual Funds	6,042	6,042	-0-	-0-	
Investments Recorded at Amortized Cost					
PLIGIT Class	866				<=397 days
PLIGIT/Reserve-Class	8,522				<=397 days
PSDLAF/Max Series	<u>23,248,949</u>				<=397 days
Total Investments per the Financial Statements	23,264,379				

The School District has the following recurring fair value measurements as of June 30, 2021:

Money Market Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the School District are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the School District are deemed to be actively traded.

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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

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

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 - Class account.

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, 2021, the School District investments are rated as:

Investments	Standard & Poor's
PLGIT (Class and Reserve-Class)	AAAm
PSDLAF - Max Series	AAAm
Goldman Sachs Financial Square Treasury Obligation Money Market Fund	AAAm

Concentration of Credit Risk

The School District places no limit on the amount they may invest in any one issuer. At June 30, 2021, 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, 2021.

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, 2021, 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, 2021, 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)

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

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, 2021, are as follows:

	Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	950,849	301,690	649,159
Realty Transfer Taxes	161,143	161,143	-0-
Earned Income Taxes	<u>1,635,015</u>	<u>1,635,015</u>	<u>-0-</u>
	2,747,007	2,097,848	649,159

NOTE 5 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2021, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	526,230	-0-
Capital Reserve Fund	46,806	-0-
Capital Project Fund	-0-	46,806
Food Service Fund	-0-	525,915
Student Activity Fund	<u>-0-</u>	<u>315</u>
	573,036	573,036

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

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

Interfund transfers for the year ended June 30, 2021, are as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	9,804,896
Food Service Fund	779,459	-0-
Debt Service Fund	<u>9,025,437</u>	<u>-0-</u>
	9,804,896	9,804,896

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 cafeteria fund were made to provide resources for equipment purchases, consulting fees, payroll, and forgiveness of the prior year interfund advance.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

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, 2021, totaled \$762,858.

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2021, the following amounts are due from other governmental units:

Due From	General Fund and Governmental Activities
Federal Grants	594,223
State Retirement Subsidy	3,760,690
State FICA Subsidy	809,019
Other Local Governments	<u>380,418</u>
	5,544,350

NOTE 7 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2021, is as follows:

Historical Cost:	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets not Being Depreciated:				
Land	4,687,257	-0-	-0-	4,687,257
Construction in Progress	<u>77,743</u>	<u>117,707</u>	<u>(1,211)</u>	<u>194,239</u>
Total Cost	4,765,000	117,707	(1,211)	4,881,496
Capital Assets Being Depreciated:				
Building and Building Improvements	187,966,371	83,394	(14,831)	188,034,934
Furniture and Equipment	26,549,791	459,676	(3,431,810)	23,577,657
Vehicles	<u>751,102</u>	<u>90,403</u>	<u>(55,064)</u>	<u>786,441</u>
Total Cost	215,267,264	633,473	(3,501,705)	212,399,032
Accumulated Depreciation:				
Building and Building Improvements	76,514,419	4,369,277	(14,831)	80,868,865
Furniture and Equipment	17,244,580	963,446	(3,364,965)	14,843,061
Vehicles	<u>532,811</u>	<u>41,084</u>	<u>(49,558)</u>	<u>524,337</u>
Total Accumulated Depreciation	<u>94,291,810</u>	<u>5,373,807</u>	<u>(3,429,354)</u>	<u>96,236,263</u>
Net Capital Assets Being Depreciated	<u>120,975,454</u>	<u>(4,740,334)</u>	<u>(72,351)</u>	<u>116,162,769</u>
Net Capital Assets	125,740,454	(4,622,627)	(73,562)	121,044,265

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, 2021, is as follows:

Historical Cost:	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets Being Depreciated:				
Furniture and Equipment	1,690,285	51,293	-0-	1,741,578
Vehicles	<u>64,376</u>	<u>-0-</u>	<u>-0-</u>	<u>64,376</u>
Total Cost	1,754,661	51,293	-0-	1,805,954
Accumulated Depreciation:				
Furniture and Equipment	924,642	108,769	-0-	1,033,411
Vehicles	<u>64,376</u>	<u>-0-</u>	<u>-0-</u>	<u>64,376</u>
Total Accumulated Depreciation	<u>989,018</u>	<u>108,769</u>	<u>-0-</u>	<u>1,097,787</u>
Net Capital Assets	765,643	(57,476)	-0-	708,167

Depreciation expenses were charged to governmental functions as follows:

Instruction	3,692,934
Instructional Student Support	434,463
Administrative and Financial Support Services	224,885
Operation and Maintenance of Plant Services	113,448
Unallocated Depreciation Expense	<u>908,077</u>
	5,373,807

NOTE 8 - ACCRUED SALARIES and BENEFITS

At June 30, 2021, the School District was liable for \$5,847,381 of payroll, which is payable during July and August 2021, 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, 2021, 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, 2021. It is the School District's policy to record the health insurance on summer payroll during the months of coverage.

Accrued salaries and benefits as of June 30, 2021, are as follows:

Accrued Salaries	5,847,381
Accrued Benefits:	
Retirement	7,521,520
Social Security	434,981
Other Benefits	<u>175,984</u>
	13,979,866

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 9 - UNEARNED REVENUES

Unearned revenues consist of the following as of June 30, 2021:

	Governmental Activities	Business-Type Activities
Summer School	60,850	-0-
Retirees' Insurance	65,641	-0-
1:1 Initiative	223,510	-0-
Other	48,169	-0-
Unused Donated Commodities	-0-	9,093
Prepaid Lunch Sales	<u>-0-</u>	<u>111,790</u>
	398,170	120,883

NOTE 10 - 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, 2021, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2021
Series of 2016 Bonds	February 15, 2030	1.10% - 3.00%	-0-
Series A of 2016 Bonds	October 15, 2031	0.98% - 3.00%	5,505,000
Series of 2017 Bonds	April 15, 2032	1.30% - 3.13%	8,875,000
Series A of 2019 Bonds	August 1, 2025	2.00% - 4.00%	12,070,000
Series AA of 2019 Bonds	August 1, 2031	1.72% - 4.00%	4,740,000
Series A of 2020 Bonds	October 15, 2031	1.50% - 4.00%	31,990,000
Series AA of 2020 Bonds	October 15, 2036	1.50% - 4.00%	10,000,000
Series of 2021 Bonds	January 15, 2030	0.35% - 4.00%	<u>8,020,000</u>
			81,200,000

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 Bonds were currently refunded during the year ended June 30, 2021, through the issuance of Series of 2021 General Obligation Bonds.

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, 2021, was \$5,505,000 due in various installments through October 15, 2031. Principal due within one year is \$1,365,000.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

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, 2021, was \$8,875,000 due in various installments through April 15, 2032. Principal due within one year is \$70,000.

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, 2021, was \$12,070,000 due in various installments through August 1, 2025. Principal due within one year is \$1,885,000.

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, 2021, was \$4,740,000 due in various installments through August 1, 2031. Principal due within one year is \$890,000.

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, 2021, was \$31,990,000 due in various installments through October 15, 2031. Principal due within one year is \$2,220,000.

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, 2021, was \$10,000,000 due in various installments through October 15, 2036. Principal due within one year is \$-0-. The Series AA of 2020 bonds were the first series of bonds issued as part of a \$50 million board approved parameters resolution for new debt related to future capital projects anticipated from a feasibility study. No additional debt has been issued under this resolution as of June 30, 2021.

On February 18, 2021, the School District issued the Series of 2021 General Obligation Bonds of \$8,020,000 at a premium of \$515,544. The proceeds were used to currently refund the Series of 2016 General Obligation Bonds and to pay the costs and expenses of issuing the Bonds. The principal outstanding at June 30, 2021, was \$8,020,000 due in various installments through January 15, 2030. Principal due within one year is \$5,000. The difference between the cash flows required to service the refinanced debt and the new debt amounts to \$526,389. The present value of the School District's savings over the term of the bond amounts to \$497,120.

Interest cost incurred during the year ended June 30, 2021, was \$1,726,815, all of which was charged to expense.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Governmental Activities				
General Obligation Debt	87,690,000	8,020,000	14,510,000	81,200,000
Bond Discount	(61,868)	-0-	(37,689)	(24,179)
Bond Premium	<u>7,081,587</u>	<u>515,544</u>	<u>1,015,158</u>	<u>6,581,973</u>
	94,709,719	8,535,544	15,487,469	87,757,794
Accrued Retirement Bonuses	839,476	15,542	2,845	852,173
Estimated Liability for Compensated Absences	<u>2,901,292</u>	<u>457,595</u>	<u>162,310</u>	<u>3,196,577</u>
Total Governmental Activities	98,450,487	9,008,681	15,652,624	91,806,544
Business-Type Activities				
Accrued Retirement Bonuses	1,260	1,800	-0-	3,060
Estimated Liability for Compensated Absences	<u>74,404</u>	<u>16,127</u>	<u>26,451</u>	<u>64,080</u>
Total Business-Type Activities	75,664	17,927	26,451	67,140
Total Government	98,526,151	9,026,608	15,679,075	91,873,684

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
2022	2,659,782	6,435,000	9,094,782
2023	2,452,640	6,710,000	9,162,640
2024	2,222,965	6,990,000	9,212,965
2025	2,035,802	5,845,000	7,880,802
2026	1,857,077	6,080,000	7,937,077
2027-2031	6,043,344	34,000,000	40,043,344
2032-2036	1,194,925	13,520,000	14,714,925
2037	<u>32,400</u>	<u>1,620,000</u>	<u>1,652,400</u>
	18,498,935	81,200,000	99,698,935

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - 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, 2021:

	Governmental Activities	Business-Type Activities
Accumulated Sick Leave	2,334,169	57,034
Accumulated Vacation Leave	598,062	2,825
Accumulated Personal Days	203,060	3,720
Employer Social Security and Medicare on Leave Amounts Above	<u>61,286</u>	<u>501</u>
	3,196,577	64,080

NOTE 12 - 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 \$855,233 at June 30, 2021. Of this liability, \$3,060 was attributed to business-type activities and \$852,173 was attributed to governmental activities.

NOTE 13 - 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, 2021, the School District has the following nonspendable fund balance:

General Fund:	
Prepaid Expenses	71,792

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, 2021, the School District has included the following as restricted fund balances:

Capital Project Fund:	
Restricted for Capital Outlays	10,316,080

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, 2021, the School District has included the following as committed fund balances:

General Fund:	
Committed to Offset Future PSERS Contribution Rate Increases	3,000,000

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 13 - FUND BALANCE CLASSIFICATIONS (Continued)

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, 2021, the School District has the following as assigned fund balances:

Debt Service Fund:	
Assigned for Debt Service Payment	4,572,200
Capital Reserve Fund:	
Assigned for Capital Outlays	7,775,472
General Fund:	
Assigned for Capital Projects	5,402,343
Assigned for Offset to Budgeted 2021-2022 School Year Deficit	2,500,000

NOTE 14 - 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 \$225,000 per individual and \$14,419,109 in total for hospitalization claims for the year ended June 30, 2021.

A liability for claims incurred prior to June 30, 2021, and subsequently paid is recorded in the amount of \$1,144,422 in accounts payable in the internal service fund. For the year ended June 30, 2020, the liability for claims incurred prior to June 30, 2020, and subsequently paid was \$1,001,468.

Changes in the School District's claims liability amount in fiscal years 2021 and 2020 are:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2019-2020	1,230,133	11,921,114	12,149,779	1,001,468
2020-2021	1,001,468	14,091,826	13,948,872	1,144,422

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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 14 - RISK MANAGEMENT (Continued)

Workers' Compensation (Continued)

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, 2021, 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, 2021, and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 15 - 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.

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 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (Continued)

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%. For all new hires and for members who elected Class T-D, the higher contribution rates began with service rendered on or after January 1, 2002.

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%.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2021, was 33.69% 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 \$18,647,000 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$193,017,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was .3920 percent, which was an decrease of .0046 percent from its proportion measured as of June 30, 2020.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2021, the School District recognized pension expense of \$19,572,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	505,000	4,626,000
Changes in Assumptions	-0-	-0-
Net Difference Between Projected and Actual		
Investment Earnings	8,483,000	-0-
Changes in Proportion	18,000	2,235,000
Difference Between Employer Contributions and		
Proportionate Share of Total Contributions	282,000	-0-
Contributions Subsequent to the Measurement Date	<u>18,647,000</u>	<u>-0-</u>
	27,935,000	6,861,000

An amount of \$18,647,000 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, 2022. 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:	
2022	(1,844,000)
2023	(248,000)
2024	1,999,000
2025	2,520,000

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined by rolling forward PSERS' total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020, 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, 2020. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	15.0%	5.2%
Private Equity	15.0%	7.2%
Fixed Income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute Return	10.0%	2.5%
Risk Parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real Estate	10.0%	5.5%
Cash	6.0%	(1.0%)
Financing (LIBOR)	<u>(14.0%)</u>	(0.7%)
	100.0%	

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, 2020.

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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, 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	238,803,000	193,017,000	154,230,000

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.

Payable to the Pension Plan

At June 30, 2021, the School District reported a payable of \$5,522,317 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2021. These amounts relate to the second quarter of 2021, 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 \$367,203 for the employee contributions withheld during June 2021, which are payable to PSERS by July 5, 2021.

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 2.50% and 8.50% (5.50% 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.

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 1.50% and 7.50% (4.50% 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 7.50% 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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension Reform (Continued)

The total School District contribution into the defined contribution plan portion of PSERS was \$58,932 for the year ended June 30, 2021.

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 16 - 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, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	71
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	<u>816</u>
	887

Total OPEB Liability

The School District's total OPEB liability of \$9,994,000 was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2020.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 1.86%, Based on S&P municipal bond 20-year high grade 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: 5.50% in 2020 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% in 2075 and later based on the Society of Actuaries long-run medical cost trend model.

Retirees' Share of Benefit-Related Costs: 100% of premium.

Mortality Rates: RP-2014 mortality tables for males and females adjusted for mortality improvement using the Buck Modified 2016 projection scale.

Percent of Eligible Retirees Electing Coverage: 90% of administrators, 70% of professional staff, and 25% of support staff are assumed to elect coverage.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period ended July 1, 2020.

Changes in the Total OPEB Liability

Balance, June 30, 2020	9,132,000
Changes for the Year:	
Service Cost	608,000
Interest	320,000
Changes of Benefit Terms	(20,000)
Differences Between Expected and Actual Experience	(726,000)
Changes of Assumptions	1,099,000
Benefit Payments	<u>(419,000)</u>
Net Changes	<u>862,000</u>
Balance, June 30, 2021	9,994,000

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 1.00% lower or 1.00% higher than the current discount rate:

Total OPEB Liability

0.86% Discount Rate (1% Decrease)	10,740,000
1.86% Discount Rate (Current Rate)	9,994,000
2.86% Discount Rate (1% Increase)	9,283,000

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN (Continued)

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 1.00% lower or 1.00% higher than the current healthcare cost trend rates:

Total OPEB Liability

4.50% (1% Decrease)	8,826,000
5.50% (Current Rate)	9,994,000
6.50% (1% Increase)	11,385,000

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, 2020, 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.

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, 2020, there were no assumed future benefit increases to participating eligible retirees.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Employer Contributions

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2021, was 0.82% 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 \$455,000 for the year ended June 30, 2021.

OPEB Liabilities and OPEB Expense

At June 30, 2021, the School District reported a liability of \$8,487,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2021, the School District's proportion was 0.3928 percent, which was an decrease of 0.0038 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$409,000 related to this plan.

Actuarial Assumptions

The total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020, 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%.

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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2018, determined the employer contribution rate for fiscal year 2020.

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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.30%	(1.00%)
US Core Fixed Income	46.50%	(0.10%)
Non-US Developed Fixed	<u>3.20%</u>	(0.10%)
	100.00%	

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, 2020.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 16 - 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 2.66%. 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 2.66% which represents the S&P 20-year municipal bond rate at June 30, 2020, 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 1.00% lower or 1.00% higher than the current discount rate:

Net OPEB Liability

1.66% Discount Rate (1% Decrease)	9,677,000
2.66% Discount Rate (Current Rate)	8,487,000
3.66% Discount Rate (1% Increase)	7,502,000

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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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 1.00% lower or 1.00% higher than the current healthcare cost trend rates:

Net OPEB Liability

1% Decrease	8,486,000
Current Rate	8,487,000
1% Increase	8,488,000

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 16 - 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.

AGGREGATE OPEB INFORMATION

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

For the year ended June 30, 2021, the School District recognized OPEB expense of \$1,307,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions and Benefit Payments After the Measurement Date	865,000	-0-
Differences Between Expected and Actual Experience	77,000	879,000
Changes of Assumptions	1,565,000	643,000
Difference Between Projected and Actual Investment Earnings	13,000	-0-
Changes in Proportion	<u>2,000</u>	<u>121,000</u>
	2,522,000	1,643,000

An amount of \$865,000 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, 2022. 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:	
2022	(5,000)
2023	(8,000)
2024	(9,000)
2025	50,000
2026	32,000
Thereafter	(46,000)

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 17 - 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 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 2.50% to 4.00% for the duration of the contract. The transportation services expense related to this contract was approximately \$3,972,000 for the year ended June 30, 2021.

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.

NOTE 18 - 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.

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 18 - OPERATING LEASES (Continued)

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
2022	156,494
2023	155,884
2024	155,231
2025	155,636
2026	156,450
2027-2031	770,297
2032-2036	762,707
2037	<u>152,690</u>
	2,465,389

The School District leases certain equipment under non-cancellable operating leases expiring at various dates between June 2021 and June 2026. The future minimum lease payments under the operating leases at June 30, 2021, are as follows:

2022	754,457
2023	570,097
2024	368,832
2025	192,852
2026	<u>192,852</u>
	2,079,090

Total rental expenses for non-cancellable operating leases reflected in the accompanying financial statements is \$935,129 during the year ended June 30, 2021.

NOTE 19 - CHANGE in ACCOUNTING PRINCIPLES

Effective for the year ending June 30, 2021, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as described in Note 1. As a result, the School District determined the former private purpose trust fund did not meet the definition of a fiduciary activity under the new standard. The financial activity of the former private purpose trust fund is now reported within the general fund. Additionally, the agency fund which accounted for student activities at June 30, 2020, is now classified as a custodial fund within the fiduciary fund financial statements. The implementation of GASB Statement No. 84 had the following effects on net position:

	Custodial Fund
Net Position as Previously Reported on June 30, 2020	-0-
Prior Period Adjustment - GASB No. 84	<u>211,503</u>
Net Position as Restated July 1, 2020	211,503

Hempfield School District
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 19 - CHANGE in ACCOUNTING PRINCIPLES (Continued)

In the past, the School District's accounting policy considered the capital reserve fund and the bond construction fund to be subfunds of the capital project fund. They were combined as one major fund in the governmental fund financial statements. The combined fund had a total fund balance of \$18,404,545 as of June 30, 2020. Beginning with the year ended June 30, 2021, the School District determined that its financial statement presentation would provide better visibility about the spending of bond proceeds versus capital reserve fund amounts by presenting the capital reserve fund as a separate major fund. The capital project fund will continue to include the activity of any bond construction funds. The prior year combined fund balance has been allocated to each individual fund's beginning fund balance.

NOTE 20 - SUBSEQUENT EVENTS

On July 22, 2021, the School District issued the Series A of 2021 General Obligation Bonds of \$4,180,000 at a premium of \$135,155. The proceeds were used to currently refund the Series A of 2016 General Obligation Bonds, and to pay the costs and expenses of issuing the Bonds. The refunding was undertaken to achieve interest expense savings.

On January 18, 2022, the School District issued the Series of 2022 General Obligation Bonds of \$8,700,000 at a premium of \$460,313. The proceeds were used to currently refund the Series of 2017 General Obligation Bonds, and to pay the costs and expenses of issuing the Bonds. The refunding was undertaken to achieve interest expense savings.

Hempfield School District

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -

BUDGET and ACTUAL - GENERAL FUND

Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary	Final Budget -
REVENUES			Basis	Favorable
				(Unfavorable)
Local Sources:				
Real Estate Taxes	\$ 77,679,337	\$ 77,679,337	\$ 78,599,660	\$ 920,323
Other Taxes	7,843,801	7,843,801	10,054,767	2,210,966
Investment Earnings	435,000	435,000	97,882	(337,118)
Other Revenue	2,233,400	2,233,400	3,239,316	1,005,916
Total Local Sources	88,191,538	88,191,538	91,991,625	3,800,087
State Sources	33,356,350	33,356,350	33,995,822	639,472
Federal Sources	2,241,330	2,241,330	2,106,286	(135,044)
Total Revenues	123,789,218	123,789,218	128,093,733	4,304,515
EXPENDITURES				
Instructional Services:				
Regular Programs	58,727,412	58,710,523	57,143,519	1,567,004
Special Programs	21,497,672	21,452,272	22,906,968	(1,454,696)
Vocational Programs	1,230,000	1,260,000	1,281,417	(21,417)
Other Instructional Programs	656,268	686,268	696,896	(10,628)
Support Services:				
Pupil Personnel	4,951,963	4,949,963	4,790,490	159,473
Instructional Staff	2,850,164	2,854,453	2,781,145	73,308
Administrative	5,595,140	5,595,140	5,691,452	(96,312)
Pupil Health	1,149,416	1,149,416	1,250,640	(101,224)
Business	792,796	792,796	811,442	(18,646)
Operation of Plant and Maintenance	8,717,302	8,717,302	8,176,337	540,965
Student Transportation	5,651,403	5,651,403	4,421,360	1,230,043
Central and Other Business	4,076,587	4,076,587	4,450,236	(373,649)
Noninstructional Services	1,999,068	1,999,068	1,795,102	203,966
Total Expenditures	117,895,191	117,895,191	116,197,004	1,698,187
EXCESS of REVENUES				
over EXPENDITURES	5,894,027	5,894,027	11,896,729	6,002,702
OTHER FINANCING SOURCES (USES)				
Transfers Out	(9,325,438)	(9,325,438)	(9,804,896)	(479,458)
Refund of Prior Years' Receipts	-0-	-0-	(6,708)	(6,708)
Budgetary Reserve	(1,207,135)	(1,207,135)	-0-	1,207,135
Net Other Financing Sources (Uses)	(10,532,573)	(10,532,573)	(9,811,604)	720,969
NET CHANGES in FUND BALANCES	\$ (4,638,546)	\$ (4,638,546)	2,085,125	\$ 6,723,671
FUND BALANCES				
Beginning			18,889,010	
Ending			<u>\$ 20,974,135</u>	

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

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 608,000	\$ 612,000	\$ 554,000	\$ 535,000
Interest	320,000	277,000	292,000	215,000
Change of Benefit Terms	(20,000)	-0-	-0-	-0-
Differences Between Expected and Actual Experience	(726,000)	-0-	(284,000)	-0-
Changes of Assumptions	1,099,000	(263,000)	(309,000)	325,000
Benefit Payments	<u>(419,000)</u>	<u>(368,000)</u>	<u>(357,000)</u>	<u>(414,000)</u>
Net Changes in Total OPEB Liability	862,000	258,000	(104,000)	661,000
Total OPEB Liability - Beginning	<u>9,132,000</u>	<u>8,874,000</u>	<u>8,978,000</u>	<u>8,317,000</u>
Total OPEB Liability - Ending	<u>\$ 9,994,000</u>	<u>\$ 9,132,000</u>	<u>\$ 8,874,000</u>	<u>\$ 8,978,000</u>
Covered Payroll	51,409,815	48,851,760	48,851,760	46,928,908
Net OPEB Liability as a Percentage of Covered Payroll	19.4%	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, 2020:

Discount rate was decreased from 3.36% to 1.86%.

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.

Changes in Benefit Terms:

Measurement period ended June 30, 2020:

The Director of Finance now pays the full premium for coverage. The current Superintendent and other Top Cabinet Officials now pay a portion of premiums based on years of School District service. Life insurance is no longer based on salary for Support Staff.

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

Fiscal Year Ended June 30	Contractually Required Contributions	Contributions from Employer	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
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%
2021	455,000	455,000	-0-	55,389,340	0.82%

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, 2020:

Discount rate was decreased from 2.79% to 2.66%.

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 decreased 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%
2020	.3928%	8,487,000	55,120,975	15.40%	5.69%

Note: Information is not available prior to 2016.

See independent auditors' report.

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

	Contractually Required Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Defined Benefit Pension Plan:					
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	33.45%
2021	18,647,000	18,647,000	-0-	55,389,340	33.69%

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%
2020	.3920%	193,017,000	55,120,975	350.17%	54.32%

Note: Information is not available prior to 2014.

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 3.00% 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, 2021

Federal Grantor Project Title	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at June 30, 2020	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
Child Nutrition Cluster												
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - School Breakfast Program (Note 7)	I	10.553	N/A	07/01/19 - 06/30/20	N/A	\$ 4,968	\$ 4,968	\$ -0-	\$ -0-	\$ -0-
U.S. Department of Agriculture	Pennsylvania Department of Education	School Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	-0-	8,115	8,115	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - School Breakfast Program (Note 5)	I	10.553	N/A	07/01/20 - 06/30/21	N/A	<u>-0-</u>	<u>352,714</u>	<u>352,714</u>	<u>-0-</u>	<u>-0-</u>
			Total	10.553				4,968	365,797	360,829	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program (Note 7)	I	10.555	N/A	07/01/19 - 06/30/20	N/A	7,969	7,969	-0-	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	-0-	40,058	40,058	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Education	COVID-19 - National School Lunch Program (Note 5)	I	10.555	N/A	07/01/20 - 06/30/21	N/A	-0-	1,537,704	1,537,704	-0-	-0-
U.S. Department of Agriculture	Pennsylvania Department of Agriculture	National School Lunch Program (Note 2)	I	10.555	N/A	07/01/20 - 06/30/21	N/A	<u>(8,599) A)</u>	<u>182,056 B)</u>	<u>181,562 C)</u>	<u>(9,093) D)</u>	<u>-0-</u>
			Total	10.555				(630)	1,767,787	1,759,324	(9,093)	-0-
			Total Child Nutrition Cluster					4,338	2,133,584	2,120,153	(9,093)	-0-
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	48,864	381,075	332,211	-0-	-0-
U.S. Department of Treasury	County of Lancaster	COVID-19 - Coronavirus Relief Fund	I	21.019	N/A	03/01/20 - 10/30/20	582,659	<u>-0-</u>	<u>582,659</u>	<u>582,659</u>	<u>-0-</u>	<u>-0-</u>
			Total	21.019				48,864	963,734	914,870	-0-	-0-
General Services Administration	Pennsylvania Department of General Services	Donation of Federal Surplus Personal Property	I	39.003	N/A	07/01/20 - 06/30/21	1,514	\$ -0-	\$ 1,514	\$ 1,514	\$ -0-	\$ -0-

See independent auditors' report.

Hempfield School District
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2021

Federal Grantor Project Title	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at June 30, 2020	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
Special Education Cluster (IDEA)												
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit No. 13	Special Education Grants to States	I	84.027	062-200013	07/01/20 - 06/30/21	1,531,926	\$ -0-	\$ 1,531,926	\$ 1,531,926	\$ -0-	\$ -0-
U.S. Department of Education	Lancaster-Lebanon Intermediate Unit No. 13	Special Education Preschool Grants	I	84.173	131-190013	07/01/20 - 06/30/21	8,970	-0-	8,970	8,970	-0-	-0-
Total Special Education Cluster (IDEA)								-0-	1,540,896	1,540,896	-0-	-0-
U.S. Department of Education	Pennsylvania Department of Education	Title I Grants to Local Educational Agencies	I	84.010	013-210189	08/20/20 - 09/30/21	816,783	-0-	816,783	816,062	(721)	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-210189	08/20/20 - 09/30/21	64,904	-0-	50,996	62,391	11,395	-0-
U.S. Department of Education	Pennsylvania Department of Education	English Language Acquisition State Grants	I	84.365	010-200189	08/16/19 - 09/30/20	58,263	3,950	20,808	16,858	-0-	-0-
Total								3,950	71,804	79,249	11,395	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	020-210189	08/20/20 - 09/30/21	161,598	-0-	137,756	160,123	22,367	-0-
U.S. Department of Education	Pennsylvania Department of Education	Supporting Effective Instruction State Grants	I	84.367	010-200189	08/16/19 - 09/30/20	178,568	337	12,069	11,732	-0-	-0-
Total								\$ 337	\$ 149,825	\$ 171,855	\$ 22,367	\$ -0-

See independent auditors' report.

Hempfield School District
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2021

Federal Grantor Project Title	Pass-Through Agency	Federal Program	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at June 30, 2020	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
U.S. Department of Education	Pennsylvania Department of Education	Student Support and Academic Enrichment Program	I	84.424	144-210189	08/20/20 - 09/30/21	65,294	\$ -0-	\$ 41,975	\$ 65,294	\$ 23,319	\$ -0-
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	<u>23,418</u>	<u>23,418</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
				Total	84.424			23,418	65,393	65,294	23,319	-0-
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 Education Stabilization Fund	I	84.425C	252-200189	03/01/20 - 09/20/21	65,703	-0-	17,290	1,479	(15,811)	-0-
U.S. Department of Education	Pennsylvania Commission on Crime and Delinquency	COVID-19 Education Stabilization Fund	I	84.425D	2020-ES-01-35357	07/01/20 - 09/30/22	211,665	-0-	-0-	209,996	209,996	-0-
U.S. Department of Education	Pennsylvania Department of Education	COVID-19 Education Stabilization Fund	I	84.425D	200-200189	03/13/20 - 09/30/23	707,135	<u>-0-</u>	<u>49,335</u>	<u>562,910</u>	<u>513,575</u>	<u>-0-</u>
				Total	84.425D			-0-	49,335	772,906	723,571	-0-
				Total	84.425			-0-	66,625	774,385	707,760	-0-
TOTAL EXPENDITURES of FEDERAL AWARDS								<u>\$ 80,907</u>	<u>\$ 5,810,158</u>	<u>\$ 6,484,278</u>	<u>\$ 755,027</u>	<u>\$ -0-</u>

Legend

I = Indirect Funding

AL = Assistance Listing

See independent auditors' report.

Hempfield School District
SCHEDULE of EXPENDITURES of FEDERAL AWARDS
(Continued)
Year Ended June 30, 2021

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, 2021 was \$136,566, which was received through the Lancaster-Lebanon Intermediate Unit No. 13.

NOTE 5 - SEAMLESS SUMMER PROGRAM

This portion represents the Seamless Summer portion of the School Breakfast Program and 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.

NOTE 7 - CHANGES in ACCRUED (DEFERRED) REVENUE at JUNE 30, 2020

The amount listed as accrued (deferred) revenue at June 30, 2020, on the schedule of expenditures of federal awards, included amounts which required adjustment on the current year schedule. See table below for reconciliation:

AL #	Pass-Through Grantor's Number	Accrued Revenue at June 30, 2020	Accrued Revenue at July 1, 2020	Difference
10.553	N/A	-0-	4,96	(4,968)
10.555	N/A	-0-	7,96	(7,969)

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, 2021, 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 March 3, 2022.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2021-001 that we consider to be a significant deficiency.

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*.

Hempfield School District's Response to Findings

Hempfield School District's response to the findings 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 financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Trout CPA". The signature is written in a cursive, flowing style.

March 3, 2022
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 each of **Hempfield School District's** major federal programs for the year ended June 30, 2021. **Hempfield School District's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **Hempfield School District's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 each 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 each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items #2021-002 and #2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Hempfield School District's response to the noncompliance findings 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 each of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **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 identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item #2021-003, that we consider to be a material weakness.

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 compliance and, accordingly, we express no opinion on the response.

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.



March 3, 2022
Lancaster, Pennsylvania

Hempfield School District
SCHEDULE of FINDINGS and QUESTIONED COSTS
Year Ended June 30, 2021

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 and one significant deficiency 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. One material weakness and no significant deficiencies relating to the audit of the major federal programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance 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 programs for **Hempfield School District** are reported in part C of this schedule.
7. The programs tested as a major federal program are: Title I Program - AL #84.010, COVID-19 - Coronavirus Relief Fund Program - AL #21.019, and Education Stabilization Fund - AL #84.425C and #84.425D.
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

Significant Deficiency

#2021-001 - Internal Control Over Preparation of Schedule of Expenditures of Federal Awards

Criteria: The School District is required to prepare an accurate and complete schedule of expenditures of federal awards (SEFA) as part of its annual audit preparation.

Statement of Condition: The School District missed reporting a grant under COVID-19 Education Stabilization Fund - AL #84.425D in its SEFA preparation.

Cause and Effect: Hempfield School District's failure to prepare an accurate and complete SEFA led to additional audit procedures required to be performed, and could have resulted in improper financial reporting.

Questioned Costs: None

Hempfield School District
SCHEDULE of FINDINGS and QUESTIONED COSTS
(Continued)
Year Ended June 30, 2021

B. Findings - Financial Statements Audit (Continued)

Significant Deficiency (Continued)

Identification of Repeat Finding: No

Recommendation: We recommend that the School District establish additional procedures to ensure that an accurate and complete SEFA is prepared in advance of audit fieldwork.

Views of Responsible Officials: During the preparation and review of the SEFA; members of the Federal Program team will be involved to ensure compliance.

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

Compliance Finding

DEPARTMENT of EDUCATION

#2021-002 - COVID-19 Education Stabilization Fund - AL #84.425C

Criteria: The School District is required to engage in timely and meaningful consultation with private school officials and provide equitable services to eligible private school children, their teachers, and their families.

Statement of Condition: The School District did not engage in timely and meaningful consultation with private school officials for AL #84.425C.

Cause and Effect: Due to an oversight, **Hempfield School District** failed to engage in the required consultation with private school officials for the portion of the Education Stabilization Fund under AL #84.425C.

Questioned Costs: None

Identification of Repeat Finding: No

Recommendation: We recommend that the School District establish additional procedures to ensure that the required consultation with private school officials occurs.

Views of Responsible Officials: The School District's Federal Programs Coordinator failed to reach out to the appropriate non public schools to distribute the allotted funds. The School District has hired a new Federal Program Coordinator and will ensure appropriate training regarding non public school consultation requirements are provided to the new Coordinator during the 2022 school year. With new funding received, the School District will consult with the appropriate non public schools for the applicable grant period and provide the allotted funds to those schools as required. Sufficient documentation will be retained by the School District for a reasonable period of time.

Hempfield School District
SCHEDULE of FINDINGS and QUESTIONED COSTS
(Continued)
Year Ended June 30, 2021

C. Findings and Questioned Costs - Major Federal Awards Programs Audit (Continued)

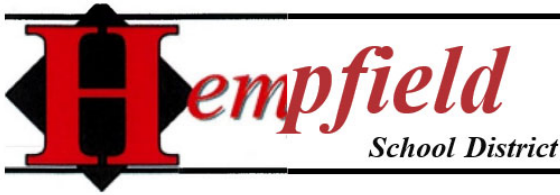
Material Weakness and Compliance Finding

DEPARTMENT of EDUCATION

#2021-003 - COVID-19 Education Stabilization Fund - AL #84.425D

See Finding #2021-001, the School District is required to prepare a complete and accurate SEFA. Because of the failure to report a grant, additional audit procedures were required to be performed and there could have been improper financial reporting. This internal control over compliance matter is classified as a material weakness in the major federal awards programs audit as it is material to the grant as well as a compliance finding.

Hempfield School District
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS
Year Ended June 30, 2021



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Mark Brooks
Chief Financial & Operations Officer

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.

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

Current Status: The School District has adopted appropriate procedures that addressed the verification compliance matter. The food service staff responsible for approving free and reduced school meals applications obtained proper training and certification to ensure proper determination of free or reduced status for the 2020-2021 school year. There was periodic review of the applications received to ensure continued compliance.

March 3, 2022

Corrective Action Plan

Hempfield School District respectfully submits the following corrective action plan for the year ending June 30, 2021.

Oversight Agency for Audit: Pennsylvania Department of Education

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

Audit Period: July 1, 2020 through June 30, 2021.

The findings from the Schedule of Findings and Questions Costs for the year ended June 30, 2021 are discussed below. The findings are numbered consistently with the number assigned in the schedule:

Findings - Financial Statements Audit

Significant Deficiency

#2021-001 - Internal Control Over Preparation of Schedule of Expenditures of Federal Awards

Criteria: The School District is required to prepare an accurate and complete schedule of expenditures of federal awards (SEFA) as part of its annual audit preparation.

Statement of Condition: The School District missed reporting a grant under COVID-19 Education Stabilization Fund - AL #84.425D in its SEFA preparation.

Cause and Effect: Hempfield School District's failure to prepare an accurate and complete SEFA led to additional audit procedures required to be performed, and could have resulted in improper financial reporting.

Questioned Costs: None

Identification of Repeat Finding: No

Recommendation: We recommend that the School District establish additional procedures to ensure that an accurate and complete SEFA is prepared in advance of audit fieldwork.

Views of Responsible Officials- During the preparation and review of the SEFA; members of the Federal Program team will be involved to ensure compliance.

Findings and Questioned Costs - Major Federal Awards Programs Audit

Compliance Finding

DEPARTMENT of EDUCATION

#2021-002 - COVID-19 Education Stabilization Fund - AL #84.425C

Criteria: The School District is required to engage in timely and meaningful consultation with private school officials and provide equitable services to eligible private school children, their teachers, and their families.

Statement of Condition: The School District did not engage in timely and meaningful consultation with private school officials for AL #84.425C.

Cause and Effect: Due to an oversight, **Hempfield School District** failed to engage in the required consultation with private school officials for the portion of the Education Stabilization Fund under AL #84.425C.

Questioned Costs: None

Identification of Repeat Finding: No

Recommendation: We recommend that the School District establish additional procedures to ensure that the required consultation with private school officials occurs.

Views of Responsible Officials: The School District's Federal Programs Coordinator failed to reach out to the appropriate non public schools to distribute the allotted funds. The School District has hired a new Federal Program Coordinator and will ensure appropriate training regarding non public school consultation requirements are provided to the new Coordinator during the 2022 school year. With new funding received, the School District will consult with the appropriate non public schools for the applicable grant period and provide the allotted funds to those schools as required. Sufficient documentation will be retained by the School District for a reasonable period of time.

Material Weakness and Compliance Finding

DEPARTMENT of EDUCATION

#2021-003 - COVID-19 Education Stabilization Fund - AL #84.425D

See Finding #2021-001, the School District is required to prepare a complete and accurate SEFA. Because of the failure to report a grant, additional audit procedures were required to be performed and there could have been improper financial reporting. This internal control over compliance matter is classified as a material weakness in the major federal awards programs audit as it is material to the grant as well as a compliance finding.

Respectfully submitted,



Mark Brooks

CFO/COO

Hempfield School District