

HEMPFIELD SCHOOL DISTRICT
Financial Statements
June 30, 2022

HEMPFIELD SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Hempfield School District
Landisville, Pennsylvania

Report on the Audit of 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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Hempfield School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 2 to the financial statements, Hempfield School District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to that matter.

Correction of an Error

As described in Note 3 to the financial statements, the beginning net deficit of the governmental activities and beginning fund balance of the general fund were restated to report the assets and liabilities of scholarship accounts, previously omitted. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and other postemployment benefit information on pages 3-10 and 62-69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental

Hempfield School District
Independent Auditor's Report

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hempfield School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 February 13, 2023, on our consideration of the Hempfield School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Carnegie, Pennsylvania
February 13, 2023

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, 2022. 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 2022 are as follows:

- Total governmental and business-type assets increased by nearly \$1.0 million to \$189.3 million.
- Cash and investment balances increased by \$1.9 million.
- The value of capital assets, net of depreciation, decreased by \$3.2 million primarily as a result of \$6.0 million of depreciation expense with only \$2.8 million of capital additions placed into service during the fiscal year.
- Deferred outflows of resources related to the pension and other post-employment benefits liabilities decreased by \$0.2 million. Total governmental and business-type liabilities decreased by \$39.5 million primarily due to the \$32.7 million decrease 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 \$39.7 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 by \$1.1 million from last year. Total tax revenues increased by \$2.2 million while investment earnings decreased by \$700,000.
- The School District had \$118.8 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 \$92.1 million in taxes, provided for these expenses. Net position increased by \$15.1 million for governmental activities. Pension and OPEB expenses of approximately \$8.8 million are deferred in 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 \$139.0 million in revenues and other financing sources and \$135.8 million in expenditures and other financing uses. This resulted in an increase of \$3.2 million in the general fund balance, increasing the general fund's fund balance to \$24.4 million.

Using the Annual Financial 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.

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 of the School District as a whole begins on page 6. 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 service 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 15 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.

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.

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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 2022 compared to 2021:

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$ 68.0	\$ 66.7	\$ 1.5	\$ (0.1)	\$ 69.5	\$ 66.6
Noncurrent assets	119.2	121.0	0.6	0.7	119.8	121.7
Total assets	<u>187.2</u>	<u>187.7</u>	<u>2.1</u>	<u>0.6</u>	<u>189.3</u>	<u>188.3</u>
Deferred outflows of resources	<u>30.0</u>	<u>29.8</u>	<u>0.5</u>	<u>0.6</u>	<u>30.5</u>	<u>30.4</u>
Liabilities						
Current liabilities	26.8	27.1	0.1	0.2	26.9	27.3
Noncurrent liabilities	253.0	291.6	3.6	4.2	256.6	295.8
Total liabilities	<u>279.8</u>	<u>318.7</u>	<u>3.7</u>	<u>4.4</u>	<u>283.5</u>	<u>323.1</u>
Deferred inflows of resources	<u>30.9</u>	<u>8.3</u>	<u>0.6</u>	<u>0.2</u>	<u>31.5</u>	<u>8.5</u>
Net position (deficit)						
Net investment in capital assets	45.2	43.6	0.6	0.7	45.8	44.3
Restricted	9.9	-	-	-	9.9	-
Unrestricted	(148.6)	(153.1)	(2.3)	(4.1)	(150.9)	(157.2)
Total net position (deficit)	<u>\$ (93.5)</u>	<u>\$ (109.5)</u>	<u>\$ (1.7)</u>	<u>\$ (3.4)</u>	<u>\$ (95.2)</u>	<u>\$ (112.9)</u>

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, 2022. 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 \$176.9 million for 2022.

Governmental Activities

Current assets increased \$1.3 million which was primarily due to revenue growth in the general fund.

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Noncurrent assets decreased by \$1.8 million, from \$121.0 million to \$119.2 million. This decrease is a result primarily of the recognition of \$6.0 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 by \$1.6 million. Included in the increased net position was depreciation of \$107,000, net pension and OPEB expense recognized in the amount of \$243,000.

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 1.1	\$ 0.7	\$ 0.5	\$ 0.4	\$ 1.6	\$ 1.1
Operating grants & contrib.	23.4	22.1	4.7	2.4	28.1	24.5
Capital grants & contrib.	0.9	1.1	-	-	0.9	1.1
General revenues						
Taxes	92.1	88.6	-	-	92.1	88.6
Grants and entitlements	15.8	15.0	-	-	15.8	15.0
Other	0.6	(0.2)	0.1	0.8	0.7	0.6
Total revenues	<u>133.9</u>	<u>127.3</u>	<u>5.3</u>	<u>3.6</u>	<u>139.2</u>	<u>130.9</u>
Expenses						
Instruction	83.0	87.4	-	-	83.0	87.4
Instructional support	8.7	9.5	-	-	8.7	9.5
Administration & financial	9.4	11.3	-	-	9.4	11.3
Operations & maintenance	8.4	8.1	-	-	8.4	8.1
Pupil transportation	5.0	4.4	-	-	5.0	4.4
Student activities	1.9	1.8	-	-	1.9	1.8
Unallocated depreciation	0.9	1.7	-	-	0.9	1.7
Interest on long-term debt	1.5	1.0	-	-	1.5	1.0
Food service and day care	-	-	3.6	3.2	3.6	3.2
Total expenses	<u>118.8</u>	<u>125.2</u>	<u>3.6</u>	<u>3.2</u>	<u>122.4</u>	<u>128.4</u>
Increase in net position	<u>\$ 15.1</u>	<u>\$ 2.1</u>	<u>\$ 1.7</u>	<u>\$ 0.4</u>	<u>\$ 16.8</u>	<u>\$ 2.5</u>

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.

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Table 3
Governmental Activities at June 30
(In Millions)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2022	2021	2022	2021
Functions/Programs				
Instruction	\$ 83.0	\$ 87.4	\$ 65.5	\$ 70.6
Instructional support	8.7	9.5	7.2	8.2
Administrative & financial	9.4	11.3	7.3	9.9
Operations & maintenance	8.4	8.1	7.4	6.9
Pupil transportation	5.0	4.4	3.2	2.5
Student activities	1.9	1.8	1.5	1.6
Unallocated depreciation expense	1.5	1.0	0.9	0.9
Interest on long-term debt	0.9	1.7	0.5	0.7
Total governmental activities	<u>\$ 118.8</u>	<u>\$ 125.2</u>	<u>\$ 93.5</u>	<u>\$ 101.3</u>

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 LEAs.

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 \$92.1 million, or 84.9% of the \$108.5 million general governmental revenues. Program-related grants, subsidies, and charges for services provided \$25.4 million of funding for program expenses, and \$16.4 million of additional grants, subsidies, interest, and other revenues provided for other expenses after the offset of asset disposals.

Total tax revenues increased \$3.5 million due primarily to increases in earned income tax revenue. Real estate assessments have also increased in the School District. The mileage rate for the 2020-2021 year was 16.6743, an increase of 0.3269 mills over the 2020-2021 year.

Total expenses for governmental activities have decreased by \$6.2 million. PSERS retirement costs continue to rise leading to increased expenses of approximately \$1.0 million in the governmental funds. The employer rate increased from 34.51% in 2020-2021 to 34.94% in 2021-2022. Due to adjustments for actuarial valuations pension costs in governmental activities decreased by \$8.3 million. Medical, prescription, and dental claims decreased by \$2.0 million in 2021-2022 compared to 2020-2021.

Business-Type Activities

Business-type activities consist of food service operations. The child care venture ceased operations during the 2020-2021 year. The child nutrition program had revenues, including state and federal support and transfers in, of \$5.3 million, and expenses of \$3.6 million for the fiscal year 2022, which resulted in a profit of \$1.7 million for food service operations. On a cash basis, food service recognized actual operating profit of approximately \$371,000. 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. Federal and state source revenues increased \$2.2 million. 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 School District's Funds

Information about the School District's major funds starts on page 15. The governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had total revenues of \$134.1 million and expenditures of \$135.6 million. Other financing sources provided \$5.2 million, resulting in an increase to total fund balances of \$3.7 million.

General Fund

The general fund balance increased by \$3.2 million to a total of \$24.4 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 \$11.2 million has been assigned for future capital projects. Non-spendable fund balance is \$45,000 leaving approximately \$10.0 million remaining as unassigned fund balance.

With these transactions recorded, the unassigned fund balance test yields an 8% 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.

Debt Service Fund

The debt service fund had a net increase of \$6,000 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 A of 2016 and Series of 2017 bonds.

Capital Project and Capital Reserve Funds

The capital reserve fund and bond construction fund total balance increased by nearly \$453,000 to \$18.5 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 2021-2022 were \$1.6 million.

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 the fiscal year 2022, 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 \$134.1 million, which was approximately \$3.6 million more than the original budget estimates for revenues. Local sourced revenues were \$1.1 million more than budget, primarily due to increases in earned income tax revenues. State revenues of \$34.8 million were \$1.0 more than budget and federal revenues of \$3.6 million were \$1.5 million more than the budget.

Actual expenditures for the year were \$124.9 million, \$113.3 million of that amount for instructional and operational expenses, and \$11.6 million for fund transfers and debt service. These amounts were approximately \$2.1 million more than the budgeted expenses. Implementation of new accounting standards provided unbudgeted resources from extended term financing of \$1.4 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the School District had \$118.6 million invested in land, buildings, equipment, vehicles, and construction in progress in combined governmental and business-type activities. Table 4 shows the fiscal year 2022 balance compared to 2021.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 4.7	\$ 4.7	\$ -	\$ -	\$ 4.7	\$ 4.7
Building and building improvements	103.9	107.2	-	-	103.9	107.2
Furniture, equipment, and vehicles	9.6	8.9	0.6	0.7	10.2	9.6
Construction in progress	0.2	0.2	-	-	0.2	0.2
Total capital assets	<u>\$ 118.4</u>	<u>\$ 121.0</u>	<u>\$ 0.6</u>	<u>\$ 0.7</u>	<u>\$ 119.0</u>	<u>\$ 121.7</u>

Property and equipment additions were \$2.8 million for the year 2021-2022. 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 \$6.0 million was recorded.

Debt Administration

At June 30, 2022, the School District had \$74.7 million in bonds outstanding, with \$6.7 million in principal due within one year. Table 5 summarizes bonds outstanding:

Table 5
Outstanding Debt at Year End
(In Millions)

	Governmental Activities	
	2022	2021
General Obligation Bonds:		
2016A Bond Refinancing	\$ -	\$ 5.5
2017 Bond Refinancing	-	8.9
2019A Bond Refinancing	10.2	12.1
2019AA Bond Refinancing	3.8	4.7
2020A Bond Refinancing	29.8	32.0
2020AA Bond Refinancing	10.0	10.0
2021 Bond Refinancing	8.0	8.0
2021A Bond Refinancing	4.2	-
2022 Bond Refinancing	8.7	-
	\$ 74.7	\$ 81.2

For the Future

Total budgeted expenditures for the fiscal year 2023 are \$136.7 million, an increase of \$3.7 million, or 2.7%. The tax rate for real estate tax was levied at 17.2579 mills, an increase of 3.5%. Revenues from real estate tax collection are estimated to provide \$85 million to support \$2.7 million in personnel costs for teachers, paraprofessionals, and custodial and maintenance staff. Total personnel costs make up \$60.2 million, or 44%, of the fiscal year 2023 budget.

The PSERS employer contribution rate for the fiscal year 2023 is 35.26%, which consists of 34.31% for pension costs, 0.75% for premium assistance payments, and 0.20% for defined contribution costs. Of the 35.26% employer contribution rate, 28.24% represents payment toward the unfunded liability. PSERS contributions make up \$21.2 million of next year's budget.

Federal funding under ESSER II and ARP ESSER III available for future years is approximately \$7.7 million. The fiscal year 2023 budget includes \$511,000 in revenues and expenditures under these programs.

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 (Deficit)

June 30, 2022

	Governmental Activities	Business-type Activities	Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 58,377,412	\$ 1,315,215	\$ 59,692,627
Investments	20,254	9,403	29,657
Taxes receivable, net	2,482,828	-	2,482,828
Internal balances	(107,183)	107,183	-
Due from other governments	6,694,489	4,202	6,698,691
Other receivables	397,294	234	397,528
Inventories	-	55,077	55,077
Prepaid expenses	117,762	8,431	126,193
Total current assets	67,982,856	1,499,745	69,482,601
Noncurrent assets			
Lease receivable, long-term	823,533	-	823,533
Capital assets, net of depreciation			
Nondepreciable capital assets	4,889,398	-	4,889,398
Depreciable capital assets, net.	113,488,209	601,614	114,089,823
Total noncurrent assets	119,201,140	601,614	119,802,754
Total assets	187,183,996	2,101,359	189,285,355
Deferred outflows of resources			
Pension	26,744,760	487,873	27,232,633
OPEB - PSERS	1,516,620	32,485	1,549,105
OPEB - School Plan	1,488,743	30,383	1,519,126
Loss on refunding	287,844	-	287,844
Total deferred outflows of resources	30,037,967	550,741	30,588,708

(Continued)

HEMPFIELD SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2022

(Continued)

	Governmental Activities	Business-type Activities	Totals
Liabilities			
Current Liabilities			
Due to other governments	312,513		312,513
Accounts payable	2,139,963	-	2,139,963
Current portion of long-term debt	8,217,988	10,222	8,228,210
Accrued interest	692,937	-	692,937
Accrued salaries, benefits, and withholdings	15,007,189	-	15,007,189
Unearned revenue	402,327	112,440	514,767
Total current liabilities	<u>26,772,917</u>	<u>122,662</u>	<u>26,895,579</u>
Noncurrent liabilities			
Bonds payable, net	73,953,643	-	73,953,643
Extended-term financing	545,853		545,853
Lease liability	171,270	-	171,270
Compensated absences	1,548,120	19,830	1,567,950
Accrued retirement bonuses	634,464	-	634,464
Net pension liabilities	157,079,300	3,205,700	160,285,000
Net OPEB liabilities	19,076,266	404,275	19,480,541
Total noncurrent liabilities	<u>253,008,916</u>	<u>3,629,805</u>	<u>256,638,721</u>
Total liabilities	<u>279,781,833</u>	<u>3,752,467</u>	<u>283,534,300</u>
Deferred inflows of resources			
Pension	28,825,720	588,280	29,414,000
OPEB - PSERS	251,860	26,583	278,443
OPEB - School Plan	1,457,126	29,737	1,486,863
Gain on refunding	329,257	-	329,257
Deferred inflows of resources	<u>30,863,963</u>	<u>644,600</u>	<u>31,508,563</u>
Net position (deficit)			
Net investment in capital assets	45,234,257	601,614	45,835,871
Restricted	9,905,132	-	9,905,132
Unrestricted	(148,563,222)	(2,346,581)	(150,909,803)
Total net position (deficit)	<u>\$ (93,423,833)</u>	<u>\$ (1,744,967)</u>	<u>\$ (95,168,800)</u>

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

HEMPFIELD SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Instruction	\$ 83,018,276	\$ 325,592	\$ 17,355,101	\$ -	\$ (65,337,583)	\$ -	\$ (65,337,583)
Instructional support	8,726,977	279	1,533,044	-	(7,193,654)	-	(7,193,654)
Administrative and financial	9,391,629	3	2,127,280	-	(7,264,346)	-	(7,264,346)
Operations and maintenance	8,407,928	103,720	881,709	-	(7,422,499)	-	(7,422,499)
Pupil transportation	5,013,158	484,584	1,274,211	-	(3,254,363)	-	(3,254,363)
Student activities	1,874,458	173,922	182,054	-	(1,518,482)	-	(1,518,482)
Community services	26,353	-	53,234	-	26,881	-	26,881
Interest on long-term debt	1,494,548	-	-	940,680	(553,868)	-	(553,868)
Unallocated depreciation expense	911,859	-	-	-	(911,859)	-	(911,859)
Total governmental activities	118,865,186	1,088,100	23,406,633	940,680	(93,429,773)	-	(93,429,773)
Business-type activities:							
Food service	3,623,878	486,296	4,657,800	-	-	1,520,218	1,520,218
Total primary government	\$ 122,489,064	\$ 1,574,396	\$ 28,064,433	\$ 940,680	(93,429,773)	1,520,218	(91,909,555)
General revenues:							
Taxes:							
Property taxes, net					80,918,939	-	80,918,939
Earned income taxes					8,736,180	-	8,736,180
Other taxes levied for general purposes					2,453,212	-	2,453,212
Grants, subsidies, and contributions, not restricted					15,797,582	-	15,797,582
Net investment earnings					180,512	1,123	181,635
Miscellaneous income					482,409	112,946	595,355
Transfers					(19,334)	19,334	-
Total general revenues					108,549,500	133,403	108,682,903
Change in net position					15,119,727	1,653,621	16,773,348
Net deficit- beginning (restated)					(108,543,560)	(3,398,588)	(111,942,148)
Net deficit - ending					\$ (93,423,833)	\$ (1,744,967)	\$ (95,168,800)

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

HEMPFIELD SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Capital Reserve Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 32,403,830	\$ 9,796,187	\$ 8,834,783	\$ 4,578,389	\$ 55,613,189
Investments	10,243	-	10,011	-	20,254
Taxes receivable, net	2,482,828	-	-	-	2,482,828
Due from other funds	5,763	-	-	-	5,763
Due from other governments	6,694,489	-	-	-	6,694,489
Other receivables	113,297	-	-	-	113,297
Prepaid items	44,531	-	-	-	44,531
Long-term receivables	823,533	-	-	-	823,533
Total assets	\$ 42,578,514	\$ 9,796,187	\$ 8,844,794	\$ 4,578,389	\$ 65,797,884
Liabilities, deferred inflows of resources, and fund balance					
Liabilities					
Due to other funds	\$ 167,643	\$ -	\$ -	\$ -	\$ 167,643
Due to other governments	312,513	-	-	-	312,513
Accounts payable	1,222,597	-	96,680	-	1,319,277
Payroll accruals and withholding	15,007,189	-	-	-	15,007,189
Unearned revenues	402,327	-	-	-	402,327
Total Liabilities	17,112,269	-	96,680	-	17,208,949
Deferred inflows of resources					
Leases	820,239	-	-	-	820,239
Unavailable property taxes	290,019	-	-	-	290,019
Total deferred inflows of resources	1,110,258	-	-	-	1,110,258
Fund balance					
Nonspendable	44,531	-	-	-	44,531
Restricted	108,945	9,796,187	8,748,114	-	18,653,246
Committed	3,000,000	-	-	4,578,389	7,578,389
Assigned	11,202,511	-	-	-	11,202,511
Unassigned	10,000,000	-	-	-	10,000,000
Total fund balance	24,355,987	9,796,187	8,748,114	4,578,389	47,478,677
Total liabilities, deferred inflows of resources, and fund balance	\$ 42,578,514	\$ 9,796,187	\$ 8,844,794	\$ 4,578,389	\$ 65,797,884

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

HEMPFIELD SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position (Deficit)
June 30, 2022

Total fund balances - governmental funds		\$ 47,478,677
Amounts reported for governmental activities in the statement of net position (deficit) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$220,450,894, and the accumulated depreciation is \$102,073,287.		118,377,607
Internal service fund is used by management to charge the costs of health, dental and vision insurance for employees to funds. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position		2,355,462
Property taxes receivable will be collected next year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		290,019
Long-term receivables related to leasing activities are not considered current financial resources and are deferred in the governmental funds.		820,239
Deferred outflows and inflows of resources for pension and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds.		(784,583)
The gain or loss on refunded bonds is deferred over the life of the bonds in the statement of net position.		(41,413)
Long-term liabilities, including bonds, notes, and capital leases 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:		
Bonds payable	\$ (74,700,000)	
Unamortized bond premiums	(5,908,643)	
Accrued interest on bonds	(692,937)	
Extended term financing	(714,347)	
Lease liability	(527,061)	
Net pension liability	(157,079,300)	
Net OPEB liability	(19,076,266)	
Accrued retirement bonuses	(634,464)	
Compensated absences	<u>(2,586,823)</u>	<u>(261,919,841)</u>
Total net deficit - governmental activities		<u>\$ (93,423,833)</u>

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

HEMPFIELD SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Capital Reserve Fund	Capital Project Fund	Debt Service Fund	Totals
Revenues					
Local sources	\$ 95,674,059	\$ 20,715	\$ 12,843	\$ 15,813	\$ 95,723,430
State sources	34,815,463	-	-	-	34,815,463
Federal sources	3,584,410	-	-	-	3,584,410
Total revenues	<u>134,073,932</u>	<u>20,715</u>	<u>12,843</u>	<u>15,813</u>	<u>134,123,303</u>
Expenditures					
Instruction	87,340,640	-	-	-	87,340,640
Support services	34,727,007	-	119,575	273,445	35,120,027
Noninstructional services	2,045,541	-	-	-	2,045,541
Capital outlay	10,887	-	1,461,234	-	1,472,121
Debt service	755,439	-	-	8,881,341	9,636,780
Total expenditures	<u>124,879,514</u>	<u>-</u>	<u>1,580,809</u>	<u>9,154,786</u>	<u>135,615,109</u>
Excess (deficiency) of revenues over expenditures	<u>9,194,418</u>	<u>20,715</u>	<u>(1,567,966)</u>	<u>(9,138,973)</u>	<u>(1,491,806)</u>
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	12,880,000	12,880,000
Premiums on bonds	-	-	-	595,468	595,468
Proceeds from extended term financing	1,390,472	-	-	-	1,390,472
Refunds of prior year's receipts	3,558,829	-	-	-	3,558,829
Sale of capital assets	25,627	-	-	-	25,627
Payment to refunding bond escrow agent	-	-	-	(13,198,321)	(13,198,321)
Loss on lease termination	(56,196)	-	-	-	(56,196)
Transfers in	-	2,000,000	-	8,868,015	10,868,015
Transfers out	(10,887,349)	-	-	-	(10,887,349)
Total other financing sources (uses)	<u>(5,968,617)</u>	<u>2,000,000</u>	<u>-</u>	<u>9,145,162</u>	<u>5,176,545</u>
Net change in fund balances	3,225,801	2,020,715	(1,567,966)	6,189	3,684,739
Fund balance - July 1, 2021 (restated)	<u>21,130,186</u>	<u>7,775,472</u>	<u>10,316,080</u>	<u>4,572,200</u>	<u>43,793,938</u>
Fund balance - June 30, 2022	<u>\$ 24,355,987</u>	<u>\$ 9,796,187</u>	<u>\$ 8,748,114</u>	<u>\$ 4,578,389</u>	<u>\$ 47,478,677</u>

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

HEMPFIELD SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022

Total net change in fund balances - governmental funds \$ 3,684,739

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

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

Depreciation expense	\$ (6,023,560)	
Capital outlays	<u>2,809,336</u>	(3,214,224)

Net book value of capital disposals is recorded as a loss on the statement of activities. (4,580)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. (359,140)

In the governmental funds, leases receivable are deferred and interest revenue and inflows of resources are recognized over the term of the lease. Inflows of resources from leases receivable reduce long-term assets and are not deferred. (44,952)

The issuance of long-term obligations provides current financial resources to governmental funds, but increases long-term liabilities in the statement of activities. (14,865,940)

The School District's bonded debt was also reduced by an advance refunding of debt. Resources of (\$13,198,320) was paid to the escrow agent for the advance refunding of outstanding bonds and notes (\$13,461,461). The difference between those amounts was \$263,141 and will be amortized as an adjustment of interest expense in the statement of activities over the remaining life of the new debt. 13,198,320

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,999,260

(Continued)

HEMPFIELD SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022

(Continued)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net change in accrued interest on bonds	62,338	
Amortization of deferred charges on bonds	(8,133)	
Amortization of premiums and discounts on bonds	<u>1,087,785</u>	1,141,990

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, the liability for compensated absences decreased by this amount.

609,754

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.

217,709

Governmental funds report School District pension and OPEB contributions as expenditures. However in the governmental activities, the cost of benefits earned is reported as an expense.

Pensions	9,344,740	
OPEB	<u>(530,889)</u>	8,813,851

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.

(1,057,060)

Change in net deficit of governmental activities	<u><u>\$ 15,119,727</u></u>
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The accompanying notes are an integral part of the financial statements.

HEMPFIELD SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Fund	Internal Service
	Food Service Fund	Fund
Assets		
Current assets		
Cash and cash equivalents	\$ 1,315,215	\$ 2,764,223
Investments	9,403	-
Due from other funds	112,946	54,668
Due from other governments	4,202	-
Other receivables	234	283,997
Inventories	55,077	-
Prepaid expenses	8,431	73,231
Total current assets	1,505,508	3,176,119
Noncurrent assets		
Furniture and equipment, net	601,614	-
Total assets	2,107,122	3,176,119
Deferred outflows of resources		
Pension	487,873	-
OPEB - PSERS	32,485	-
OPEB - School Plan	30,383	-
Total deferred outflows of resources	550,741	-

(Continued)

HEMPFIELD SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Fund	(Continued)
	Food Service Fund	Internal Service Fund
Liabilities		
Current liabilities		
Due to other funds	5,763	-
Claims payable	-	820,657
Current portion of long-term debt	10,222	-
Unearned revenues	112,440	-
Total current liabilities	128,425	820,657
Noncurrent liabilities		
Net pension liability	3,205,700	-
Net other post-employment liability	404,275	-
Compensated absences	19,830	-
Total noncurrent liabilities	3,629,805	-
Total Liabilities	3,758,230	820,657
Deferred inflows of resources		
Pension	588,280	-
OPEB - PSERS	26,583	-
OPEB - School Plan	29,737	-
Total deferred inflows of resources	644,600	-
Net position		
Net investment in capital assets	601,614	-
Unrestricted	(2,346,581)	2,355,462
Total net position	\$ (1,744,967)	\$ 2,355,462

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

HEMPFIELD SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Fund	
	Food Service Fund	Internal Service Fund
Operating revenues		
Food service revenue	\$ 486,296	\$ -
Premiums - employee	-	13,351,715
Premiums - employer	-	947,172
Miscellaneous	-	107,112
Total operating revenues	<u>486,296</u>	<u>14,405,999</u>
Operating expenses		
Salaries	977,093	-
Employee benefits	574,780	10,533,855
Purchased professional and technical services	-	666,630
Purchased property service	106,304	-
Other purchased services	9,547	855,774
Supplies	1,848,851	-
Depreciation	106,553	-
Other operating expenditures	750	-
Total operating expenses	<u>3,623,878</u>	<u>12,056,259</u>
Operating income (loss)	<u>(3,137,582)</u>	<u>2,349,740</u>
Nonoperating revenues (expenses)		
Earnings on investments	1,123	5,722
State sources	325,703	-
Federal sources	4,332,097	-
Refunds of prior years expenditures	-	(3,412,522)
Refunds of prior years revenues	112,946	-
Total nonoperating revenues (expenses)	<u>4,771,869</u>	<u>(3,406,800)</u>
Income (loss) before transfers	1,634,287	(1,057,060)
Transfers in	<u>19,334</u>	<u>-</u>
Change in net position (deficit)	1,653,621	(1,057,060)
Net position (deficit) - July 1, 2021	<u>(3,398,588)</u>	<u>3,412,522</u>
Net position (deficit) - June 30, 2022	<u>\$ (1,744,967)</u>	<u>\$ 2,355,462</u>

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

HEMPFIELD SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Fund	Internal Service Fund
	Food Service Fund	Fund
Cash flows from operating activities		
Cash received from users	\$ 493,052	\$ -
Cash received from interfund services provided	-	14,244,219
Cash received from rebates, reimbursements and other	-	1,475,567
Cash payments to employees for services	(1,644,219)	-
Cash payments for employee benefits	(437,258)	(12,330,512)
Cash payments for interfund services used	(227,748)	-
Cash payments to suppliers for goods and services	(1,789,233)	(1,525,985)
Cash payments for other operating expenses	(750)	-
Net cash provided by (used for) operating activities	(3,606,156)	1,863,289
Cash flows from noncapital financing activities		
State sources	325,567	-
Federal sources	4,087,976	-
Refunds of prior years' expenditures	112,946	-
Transfers out	-	(3,412,522)
Transfers in	19,334	-
Net cash provided by (used for) noncapital financing activities	4,545,823	(3,412,522)
Cash flows from investing activities		
Earnings on investments	1,123	5,722
Increase (decrease) to investment pools	(17)	-
Net cash provided by investing activities	1,106	5,722
Net increase (decrease) in cash and cash equivalents	940,773	(1,543,511)
Cash and cash equivalents, beginning of year	374,442	4,307,734
Cash and cash equivalents, end of year	\$ 1,315,215	\$ 2,764,223

(Continued)

HEMPFIELD SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Fund	(Continued)
	Food Service Fund	Internal Service Fund
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	\$ (3,137,582)	\$ 2,349,740
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and net amortization	106,553	-
Donated commodities	240,025	-
Pension changes other than periodic costs	(131,893)	-
OPEB changes other than periodic costs	44,727	-
(Increase) decrease in accounts receivable	6,756	(104,437)
(Increase) decrease in inventories	(23,334)	-
(Increase) decrease in prepaid expenses	(8,431)	(3,581)
Increase (decrease) in accounts payable	(27,233)	(323,765)
Increase (decrease) in accrued salaries benefits	(37,088)	-
Increase (decrease) in advances from other funds	(633,098)	(54,668)
Increase (decrease) in unearned revenue	(5,558)	-
	(468,574)	(486,451)
 Total adjustments	 (468,574)	 (486,451)
 Cash provided by (used for) operating activities	 \$ (3,606,156)	 \$ 1,863,289
 Schedule of noncash investing, capital, and financing activities		
During the year ended June 30, 2022, the School District received the following in USDA donated commodities.	\$ 237,140	\$ -

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

HEMPFIELD SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2022

	<u>Custodial Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 202,404
Due from other funds	29
Other receivables	<u>2,049</u>
Total assets	<u>\$ 204,482</u>
Liabilities	
Current liabilities	
Accounts payable	<u>\$ 4,240</u>
Net position	
Restricted for student groups	<u>\$ 200,242</u>

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

HEMPFIELD SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Custodial Fund
Additions	
Interest	\$ 412
Student activity revenues	205,081
Contributions and donations	685
Total additions	206,178
Deductions	
Student activity expenses	216,968
Change in net position	(10,790)
Net position - July 1, 2021	211,032
Net position - June 30, 2022	\$ 200,242

The accompanying notes are an integral part of the 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 operations and management of the School District are 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 the 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 that 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 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.

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. 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 on the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2022, was approximately \$1,132,000. The School District has entered into a lease rental agreement with LCCTC as more fully disclosed in Note 15. 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 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 15. The School District's lease payment to the Authority for the year ended June 30, 2022, 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 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, 2022. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster-Lebanon Intermediate Unit

The Lancaster-Lebanon Intermediate Unit (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 LLIU

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for special education services for School District students. The amount paid for these services in the year ended June 30, 2022, was approximately \$5,205,000. Complete financial information for 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, 2022, was \$118,316. 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 \$250,000. The pool reimburses monies to the School District for individual claims above \$250,000 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, 2022, was approximately \$856,000 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 \$7,000 to the Commission for facilities rentals, during the year ended June 30, 2022.

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 on the purposes for which they are to be spent.

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.

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.

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.

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.

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 in 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.

Student Activity Fund

The School District reports a 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

The 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.

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 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 post-employment 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, 2022, which are not intended to finance fiscal 2022 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 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.

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 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 the 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 6).

Inventories

Inventories in the food service fund represent cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2022, 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 outlay 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.

Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting the 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

Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, 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 is 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.)

In the government-wide financial statements and 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 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 Post-employment 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 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows are reported on the government-wide statement of net position for pension, OPEB, and deferred charges on bond refundings. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include pension, OPEB, deferred charges on bond refundings, leases, and unavailable revenue. Unavailable revenue is reported only on the governmental funds' balance sheet and represents receivables that will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and leases receivable. The deferred inflow for leases is related to the leases receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net pension of governmental activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 19 and 20.)

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, 2022, 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.

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 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 the preparation of these financial statements include depreciation, compensated absences, retirement bonus accrual, expense allocations, pension-related items, and other post-employment benefits. Actual results could differ from those estimates.

Note 2 – Change in Accounting Principles and Restatement

For the year ended June 30, 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School District's 2022 financial statements and affected the beginning net position of the general fund and governmental activities. The School District recognized \$905,090 in leases receivable at July 1, 2021, due to the implementation of GASB Statement No. 87; however, this entire amount was offset by deferred inflows of resources for leases of \$865,191.

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	Governmental Activities
Net position (deficit), June 30, 2021	\$ (109,543,666)
Implementation of GASB Statement No. 87	
Leased assets	1,088,388
Lease asset accumulated amortization	(536,242)
Lease liability	(540,007)
Accrued interest on lease liability	(33,275)
Leases receivable	905,090
Net impact of GASB Statement No. 87	883,954
Correction of an error (See Note 3)	116,152
Restated net position (deficit), June 30, 2021	\$ (108,543,560)
	General Fund
Fund balance, June 30, 2021	\$ 20,974,135
Implementation of GASB Statement No. 87	
Leases receivable	905,090
Deferred inflows	(865,191)
Net impact of GASB Statement No. 87	39,899
Correction of an error (See Note 3)	116,152
Restated net position (deficit), June 30, 2021	\$ 21,130,186

The School District also adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and Statement No. 97, *Component Unit Criteria and 457 DC Plans*. There was no effect on net position upon implementation of these standards.

Pending Changes in Accounting Principles

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, and is effective for the School District's June 30, 2023 financial statements. This statement clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements 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 an SBITA; (2) establishes that an 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 an SBITA. The provisions of this statement are effective for the School District's June 30, 2023, financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. Certain requirements were effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the year ended June 30, 2024.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*-an amendment to GASB Statement No. 62. The provisions of this statement are effective for the year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This standard updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. The provisions of this statement are effective for the year ending June 30, 2025.

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

Note 3 – Correction of an Error

Effective July 1, 2020, upon implementation of GASB Statement No. 84, *Fiduciary Activities*, accounts restricted for scholarship activities were declassified from the fiduciary funds of the financial statements. Those accounts have been reclassified to the general fund and the beginning fund balance was increased for the balance held in those funds at June 30, 2021.

Note 4 – 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 of Pennsylvania, 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

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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, 2022, \$61,620,983 of the School District's bank balance of \$61,870,983 is exposed to custodial credit risk as follows:

Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name	<u>\$ 61,620,983</u>
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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, 2022:

	Fair Value (Level 1)
Pennsylvania Local Government Investment Trust	\$ 9,789
Pennsylvania School District Liquid Asset Fund	20,253
Total	\$ 30,042

The School District has the following recurring fair value measurements as of June 30, 2022:

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 the 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 the 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.

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 its 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, 2022, the School District investments in PLGIT and PSDLAF were rated AAAM by the Standard & Poor's Rating agency.

Concentration of Credit Risk

The School District places no limit on the amount they may invest in any one issuer. On June 30, 2022, 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, 2022.

Note 5 – 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, 2022, was 16.6743 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2022, is as follows:

- July 1, 2021 - tax levy date
- Through August 31, 2021 - 2% discount period
- Through October 31, 2021 - face payment period
- Beginning November 1, 2021 - 10% penalty period
- Beginning January 1, 2022 - lien date (Lancaster County Tax Claim Bureau)

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Note 6 – 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.

	<u>Taxes Receivable</u>	<u>Revenue Recognized</u>	<u>Deferred Taxes</u>
Interim tax	\$ 57,216	\$ 57,216	\$ -
Earned income tax	1,741,760	1,741,760	-
Real estate transfer tax	118,765	118,765	-
Delinquent real estate tax	571,938	89,522	290,019
Commissions on taxes receivable	(6,851)	(6,851)	-
Total	<u>\$ 2,482,828</u>	<u>\$ 2,000,412</u>	<u>\$ 290,019</u>

A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance was deferred in the fund financial statements. Unavailable delinquent real estate taxes reported as a deferred inflow of resources in the governmental funds was \$290,019 at June 30, 2022.

Note 7 – Interfund Accounts

Individual fund receivable and payable balances at June 30, 2022, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General fund	\$ 5,763	\$ 167,643
Proprietary funds		
Food service fund	112,946	5,763
Internal service fund	54,668	-
Fiduciary fund	29	-
Total	<u>\$ 173,406</u>	<u>\$ 173,406</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Interfund transfers for the year ended June 30, 2022, are as follows:

	Transfers In	Transfers Out
Governmental funds		
General fund	\$ -	\$ 10,887,349
Capital reserve fund	2,000,000	-
Debt service fund	8,868,015	-
Proprietary funds		
Food service fund	19,334	-
Total	\$ 10,887,349	\$ 10,887,349

Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds. Transfers from the general fund to the capital reserve fund were made to fund future capital improvements. 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's interfund advance.

Note 8 – Due from/to Other Governments

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

	Governmental Funds	Enterprise Fund	Total
Federal (through state)	\$ 1,356,655	\$ 4,066	\$ 1,360,721
Federal (through local sources)	142,891	-	142,891
State	4,723,544	136	4,723,680
Local	471,399	-	471,399
Total	\$ 6,694,489	\$ 4,202	\$ 6,698,691

Amounts due to other governments primarily represent payables to other school districts for tuition expenses and at June 30, 2022, totaled \$312,513.

Note 9 – Lessor Land Use Cell Tower Agreements

The School District has entered into agreements with Verizon Wireless for the use of land for the installation and maintenance of cellular towers. The terms of this agreement include annual rental payments of \$24,000 payable monthly commencing at the time building permits are secured. The initial lease term extends for five years and will automatically renew for four additional five-year terms. Rent increases by 15% of the annual rental for the previous term. This lease commenced on March 1, 2015 with a term of 10 years, with two options to renew for additional five-year terms.

The School District implemented GASB statement No. 87 for the year ended June 30, 2022, and used the payment schedule including automatic renewals to measure the lease receivable as of July 1, 2021.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

In addition, the lease receivable was discounted to a net present value using a 1.0% interest rate, the estimated rate the School District earns on investments.

For the year ended June 30, 2022, the School District received \$40,575 in lease revenue, \$8,865 in lease interest revenues, and additional revenues of \$2,160 for administrative costs. Future payments due to the School District under non-cancelable agreements are as follows:

Year ending June 30,	Principal	Interest
2022-23	\$ 40,982	\$ 8,458
2023-24	41,394	8,046
2024-25	41,810	7,630
2025-26	43,346	7,206
2026-27	44,155	6,768
2028-32	230,213	27,073
2033-37	249,925	15,038
2038-41	172,690	2,889
	<u>\$ 864,515</u>	<u>\$ 83,108</u>

Note 10 – Changes in Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2022, is as follows:

	Beginning Balance (restated)	Additions	Retirements	Ending Balance
Governmental activities				
Non-depreciable assets:				
Land	\$ 4,687,257	\$ -	\$ -	\$ 4,687,257
Construction in progress	194,239	1,032,437	1,024,535	202,141
	<u>4,881,496</u>	<u>1,032,437</u>	<u>1,024,535</u>	<u>4,889,398</u>
Depreciable assets:				
Buildings and improvements	188,034,934	1,089,047	39,341	189,084,640
Machinery and equipment	23,577,657	1,146,451	167,680	24,556,428
Vehicles	786,441	52,000	-	838,441
Leased equipment	1,088,388	513,936	520,337	1,081,987
Totals at historical cost	<u>213,487,420</u>	<u>2,801,434</u>	<u>727,358</u>	<u>215,561,496</u>
Less accumulated depreciation for:				
Buildings and improvements	80,868,865	4,390,680	38,696	85,220,849
Machinery and equipment	14,843,061	1,049,131	163,745	15,728,447
Vehicles	524,337	49,641	-	573,978
Leased equipment	536,242	534,108	520,337	550,013
Total accumulated depreciation	<u>96,772,505</u>	<u>6,023,560</u>	<u>722,778</u>	<u>102,073,287</u>
Net capital assets being depreciated	<u>116,714,915</u>	<u>(3,222,126)</u>	<u>4,580</u>	<u>113,488,209</u>
Governmental activities capital assets, net	<u>\$121,596,411</u>	<u>\$ (2,189,689)</u>	<u>\$ 1,029,115</u>	<u>\$118,377,607</u>

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Capital asset activity for business-type activities for the year ended June 30, 2022, is as follows:

	Beginning Balance (restated)	Additions	Retirements	Ending Balance
Business-type activities				
Depreciable assets:				
Machinery and equipment	\$ 1,741,578	\$ -	\$ -	\$ 1,741,578
Vehicles	64,376	-	-	64,376
Totals at historical cost	<u>1,805,954</u>	<u>-</u>	<u>-</u>	<u>1,805,954</u>
Less accumulated depreciation for:				
Machinery and equipment	1,033,411	106,553	-	1,139,964
Vehicles	64,376	-	-	64,376
Total accumulated depreciation	<u>1,097,787</u>	<u>106,553</u>	<u>-</u>	<u>1,204,340</u>
Business-type activities capital assets, net	<u>\$ 708,167</u>	<u>\$ (106,553)</u>	<u>\$ -</u>	<u>\$ 601,614</u>

Depreciation expenses were charged to functions as follows:

Governmental activities	
Instruction	\$ 4,355,692
Instructional student support	426,815
Administrative and financial support services	222,531
Operation and maintenance of plant services	106,663
Unallocated depreciation expense	911,859
	<u>\$ 6,023,560</u>
Business-type activities	
Food service	<u>\$ 106,553</u>

Note 11 – Accrued Salaries and Benefits

At June 30, 2022, the School District was liable for \$6,163,204 of payroll, which is payable during July and August 2022, to those employees who have a ten-month contract but are paid over twelve months, to non-salaried employees who performed services through June 30, 2022, 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, 2022. It is the School District's policy to record the health insurance on the summer payroll during the months of coverage.

Accrued salaries and benefits as of June 30, 2022, are as follows:

Accrued salaries	\$ 6,163,204
Accrued benefits	
Retirement	7,790,806
Social security	457,735
Payroll deductions and withholdings payable	595,444
Total	<u>\$ 15,007,189</u>

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Note 12 – Unearned Revenues

Unearned revenues consist of the following as of June 30, 2022:

	Governmental Activites	Business-Type Activities
	<u> </u>	<u> </u>
Summer school	\$ 63,750	\$ -
1:1 Initiative	223,849	-
Federal programs	39,235	-
Other grants	47,376	-
Unused donated commodities	-	6,208
Prepaid lunch sales	-	106,232
Other unearned revenue	28,117	-
Total	<u>\$ 402,327</u>	<u>\$ 112,440</u>

Note 13 – Long-Term Debt

Changes in the School District's long-term obligations during the fiscal year ended June 30, 2022, were as follows:

	July 1, 2021 (restated)	Additions	Reductions	June 30, 2022	Current Portion
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities					
General obligation bonds	\$ 81,200,000	\$ 12,880,000	\$ 19,380,000	\$ 74,700,000	\$ 6,655,000
Bond discount, net	(24,179)	-	(24,179)	-	-
Bond premium, net	6,581,973	595,468	1,268,798	5,908,643	-
General obligation bonds, net	<u>87,757,794</u>	<u>13,475,468</u>	<u>20,624,619</u>	<u>80,608,643</u>	<u>6,655,000</u>
Extended-term financing	-	876,536	162,189	714,347	168,494
Lease obligations	540,007	513,936	526,882	527,061	355,791
Compensated absences	3,196,577	-	609,754	2,586,823	1,038,703
Accrued retirement bonuses	852,173	-	217,709	634,464	-
Pension liability	189,157,000	-	32,077,700	157,079,300	-
Net OPEB liability - PSERS	8,317,000	1,204,680	460,559	9,061,121	-
OPEB liability - school	9,794,000	622,797	401,392	10,015,405	-
Total government activities	<u>\$ 299,614,551</u>	<u>\$ 16,693,417</u>	<u>\$ 55,080,804</u>	<u>\$ 261,227,164</u>	<u>\$ 8,217,988</u>
Business-type activities					
Compensated absences	\$ 64,080	\$ 2,818	\$ 36,846	\$ 30,052	\$ 10,222
Retirement incentive	3,060	-	3,060	-	-
Pension liability	3,860,000	-	654,300	3,205,700	-
Net OPEB liability - PSERS	170,000	29,879	-	199,879	-
OPEB liability - school	200,000	4,396	-	204,396	-
Total business-type activities	<u>\$ 4,297,140</u>	<u>\$ 37,093</u>	<u>\$ 694,206</u>	<u>\$ 3,640,027</u>	<u>\$ 10,222</u>
Total government	<u>\$ 303,911,691</u>	<u>\$ 16,730,510</u>	<u>\$ 55,775,010</u>	<u>\$ 264,867,191</u>	<u>\$ 8,228,210</u>

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Note 14 – General Obligation Bonds

The School District had the following general obligation bonds outstanding at June 30, 2022:

Issue	Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2022
Series A of 2019 bonds	August 1, 2025	2.00% - 4.00%	\$ 10,185,000
Series AA of 2019 bonds	August 1, 2031	1.72% - 4.00%	3,850,000
Series A of 2020 bonds	October 15, 2031	1.50% - 4.00%	29,770,000
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%	8,015,000
Series A of 2021 bonds	September 1, 2031	1.00%	4,180,000
Series of 2022 bonds	April 15, 2032	1.00% - 4.00%	8,700,000
			<u>\$ 74,700,000</u>

As of June 30, 2022, the annual debt service requirements of all general obligation bonds outstanding to maturity are as follows:

Year ending June 30,	<u>General Obligation Bonds</u>		
	Principal	Interest	Totals
2022-23	\$ 6,655,000	\$ 2,369,251	\$ 9,024,251
2023-24	6,930,000	2,144,551	9,074,551
2024-25	5,860,000	1,957,114	7,817,114
2025-26	6,105,000	1,770,338	7,875,338
2026-27	6,350,000	1,577,200	7,927,200
2027-32	35,305,000	4,657,901	39,962,901
2032-37	7,495,000	797,900	8,292,900
	<u>\$ 74,700,000</u>	<u>\$ 15,274,255</u>	<u>\$ 89,974,255</u>

Debt service payments on general obligation bonds are made by the debt service fund and funded by transfers from the general fund.

Advance Refunding of General Obligation Bonds, Series A of 2016

The School District issued \$4,180,000 of general obligation refunding bonds (Series A of 2021) on July 22, 2021, to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,003,623 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The net carrying amount of the old debt exceeded the reacquisition price by \$339,304. The gain on refunding is reported as a deferred inflow of resources in the statement of net position and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$238,329 and resulted in an economic gain of \$212,742.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Advance Refunding of General Obligation Bonds, Series of 2017

The School District issued \$8,700,000 of general obligation refunding bonds (Series 2022) on September 17, 2021, to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$10,038,555 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$76,163. The loss on refunding is reported as a deferred outflow of resources in the statement of net position and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$711,995 and resulted in an economic gain of \$673,609.

Note 15 – LCCTC Guaranteed Lease Revenue Bonds

On June 30, 2020, LCCTC refinanced the Guaranteed Lease Revenue Note, Series of 2017 (\$3,075,000) and Guaranteed Lease Revenue Bonds, Series of 2014 (\$8,255,000), and issued Guaranteed Lease Revenue Bonds, Series of 2020, totaling \$11,145,000. These bonds were issued to provide funds for renovations and additions and various other ongoing and proposed capital projects on LCCTC facilities. The School District, along with the other member districts, has covenanted to pay lease rentals in amounts sufficient to service this debt, in proportions based on real estate market values. The aggregate amount outstanding on June 30, 2022 was \$9,975,000. The School District has no obligation for the debt beyond the resources provided under the lease rental agreement. During the year ended June 30, 2022, the School District's proportionate share of the debt service was \$156,488.

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

Year ending June 30,	Future Minimum Rental Payments
2022-23	\$ 148,883
2023-24	147,875
2024-25	148,586
2025-26	149,990
2026-27	149,378
Thereafter	1,487,796
	<u>\$ 2,232,510</u>

Note 16 – Extended Term Financing Arrangements

The School District acquired copiers and printers under a lease-purchase agreement in July 2021. The term of the agreement is for five (5) years and requires monthly payments of \$16,071 through June 22, 2026. Interest rates are fixed at 3.82%. In addition to the stated monthly payment, a service/maintenance payment of \$7,149 is due and payable monthly. The title of the equipment passed to the School District upon commencement of the agreement. The School District may terminate the lease purchase early by

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

exercising the fair purchase price which represents the fair value of the use of the equipment and the amount required to exercise the option to purchase the equipment. Rental payments do not exceed a reasonable amount to place the School District under a practical economic compulsion to renew the agreement or to exercise its option to purchase the equipment.

Annual debt service requirements through the end of the term are as follows:

Year Ending June 30	Principal	Interest
2023	\$ 168,494	\$ 24,358
2024	175,044	17,808
2025	181,850	11,002
2026	188,919	3,933
	<u>\$ 714,307</u>	<u>\$ 57,101</u>

Debt service payments on extended-term financing arrangements are made by the general fund.

Note 17 – Lease Liabilities

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2022
2,290 iPads	7/15/2019	3 Years	\$ 184,360	6.43%	\$ 520,337	\$ -
2,500 iPads	7/15/2020	3 Years	201,265	6.43%	568,051	189,105
2,300 iPads	7/15/2021	3 Years	175,980	2.75%	513,936	337,956
Total lease agreements						<u>\$ 527,061</u>

The School District's lease agreements for iPads allow the option to purchase all of the equipment at fair market value at the end of the rental term, renew the agreement for one year with the rental cost determined at the time of renewal, or return equipment to the lessor. The School District does not anticipate exercising renewing for an additional term. Interest rates are fixed at the amounts presented above.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Principal	Interest
2023	\$ 355,791	\$ 32,878
2024	171,270	4,710
	<u>\$ 527,061</u>	<u>\$ 37,588</u>

Payments on lease obligations are made by the general fund.

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Note 18 – 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, 2022:

	Governmental Activities	Business-Type Activities
Accumulated sick leave	\$ 1,826,477	\$ 22,569
Accumulated vacation leave	196,691	30,095
Accumulated personal days	563,655	4,388
	\$ 2,586,823	\$ 57,052

Note 19 – 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 \$634,464 at June 30, 2022, and is reported in the governmental activities.

Note 20 – 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, 2022, the School District has the following nonspendable fund balance:

General Fund	Prepaid Items	\$44,531
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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, 2022, the School District has included the following as restricted fund balances:

Capital Reserve Fund	Restricted under Municipal Code P.L. 145, Act of April 30, 1943, for future capital improvements and other costs, as permitted.	\$9,796,187
Capital Projects Fund	Restricted under the bond indenture for specified capital construction.	\$8,748,114

Committed fund balances represent fund balances that can be used only for specific purposes determined by formal action of the government’s highest level of decision-making authority. As of June 30, 2022, the School District has included the following as committed fund balances:

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

General Fund	Committed by the School Board to offset costs for future pension contribution rate increases.	\$3,000,000
Debt Service Fund	Committed by the School Board for future debt service costs	\$4,578,389

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, 2022, the School District has the following as assigned fund balances:

General Fund	Future capital expenditures	\$11,202,511
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Note 21 – Risk Management

Hospitalization

The School District participates in the insurance consortium with the Lancaster-Lebanon Intermediate Unit #13 to provide for medical care for eligible employees and their dependents. The School District remits funds to 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 \$250,000 per individual and \$14,438,598 in total for hospitalization claims for the year ended June 30, 2022.

A liability for claims incurred prior to June 30, 2022, and subsequently paid is recorded in the amount of \$820,657 in the internal service fund. For the year ended June 30, 2022, the liability for claims incurred prior to June 30, 2021, and subsequently paid was \$1,144,422.

Changes in the School District's claims liability amount in fiscal years 2022 and 2021 are:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2021-2022	1,144,422	12,006,747	12,330,512	820,657
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.

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, 2022, 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, 2022, and the two previous fiscal years, no settlements exceeded insurance coverage.

Note 22 – 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.

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.

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Notes to Financial Statements
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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

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% *	N/A	7.50%
T-F	On or after July 1, 2011	10.30% *	N/A	10.30%
T-G	On or after July 1, 2019	5.50% *	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% *	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

* base rate with shared risk provision

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2022, was 33.99% 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 \$19,010,600 and \$330,033 for the governmental activities and business-type activities, respectively, for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of \$160,285,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2020 to June 30, 2021. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year

HEMPFIELD SCHOOL DISTRICT
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reported contributions. At June 30, 2022, the School District's proportion was 0.3904 percent, which was a decrease of 0.0016 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of \$9,515,000. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 118,000	\$ 2,106,000
Changes in assumptions	7,774,000	-
Net difference between projected and actual investment earnings	-	25,514,000
Changes in proportions	-	1,794,000
Contributions subsequent to the measurement date	19,340,633	-
	\$ 27,232,633	\$ 29,414,000

An amount of \$19,340,633 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,	Amount
2023	\$ (6,130,000)
2024	(3,854,000)
2025	(3,295,000)
2026	(8,243,000)
	\$ (21,522,000)

Changes in Actuarial Assumptions

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

- Valuation Date - June 30, 2020.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, including inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

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- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	<u>100.0%</u>	

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

Discount Rate

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

HEMPFIELD SCHOOL DISTRICT
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Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
School district's proportionate share of the net pension liability	\$ 210,381,000	\$ 160,285,000	\$ 118,028,000

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.

Note 23 – Other Post-employment 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 post-employment 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; spouses 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, 2021, the following employees were covered by the benefit terms:

Active participants	816
Retired participants	71
	887

HEMPFIELD SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2022

Total OPEB Liability

The School District's total OPEB liability of \$10,219,801 was measured as of July 1, 2021, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021, 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: 2.28%, Based on S&P municipal bond 20-year high-grade rate index at July 1, 2021.
- Long-Term Expected Rate of Return: N/A, the plan is unfunded.
- Actuarial Cost Method: Entry age normal, level percent of pay. An assumption for salary increases is used only for spreading contributions over future pay under the entry-age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- 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: Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- 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, 2021, valuation were based on the results of an actuarial experience study for the period ended July 1, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 9,993,971
Changes for the year	
Service cost	755,440
Interest	195,812
Changes of assumptions	(315,838)
Benefit payments	(409,584)
Net change	225,830
Balance at June 30, 2022	\$ 10,219,801

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

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using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 1.28%	Discount Rate 2.28%	1% Increase 3.28%
Total OPEB Liability	\$ 10,982,067	\$ 10,219,801	\$ 9,495,157

Sensitivity to the Total OPEB Liability to 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 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 8,962,997	\$ 10,219,801	\$ 11,720,655

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

For the year ended June 30, 2022, the School District recognized OPEB expense of \$914,291. At June 30, 2022, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 794,359
Changes of assumptions	1,093,502	692,504
Difference between projected and actual investment earning		
Benefit payments subsequent to the measurement date	425,624	-
	\$ 1,519,126	\$ 1,486,863

An amount of \$425,624 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 will be recognized as a reduction in the total OPEB liability, in the year ended June 30, 2023. Amounts reported as deferred outflows and deferred inflows of resources will be recognized as a decrease to OPEB expense as follows:

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Fiscal Year Ending June 30,	Amount
2023	\$ (36,961)
2024	(36,961)
2025	(36,961)
2026	(36,961)
2027	(36,961)
Thereafter	(208,556)
	\$ (393,361)

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 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).

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, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2022, was 0.80% 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 \$455,208 for the year ended June 30, 2022.

HEMPFIELD SCHOOL DISTRICT
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June 30, 2022

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

At June 30, 2022, the School District reported a liability of \$9,261,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. 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, 2022, the School District's proportion was 0.3908 percent, which was a decrease of 0.0020 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$528,000 related to this plan. At June 30, 2022, 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
Difference between expected and actual experience	\$ 86,000	\$ -
Changes in assumptions	986,000	124,000
Net difference between projected and actual investment earnings	18,000	-
Changes in proportions	1,000	133,000
Contributions subsequent to the measurement date	455,208	-
	\$ 1,546,208	\$ 257,000

\$455,208 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	\$ 124,000
2024	121,000
2025	182,000
2026	159,000
2027	132,000
Thereafter	116,000
	\$ 834,000

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.

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June 30, 2022

- Investment return - 2.18% - S&P 20-Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%. 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 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.

The following assumptions were used to determine the contribution rate:

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

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core fixed income	17.5%	0.7%
Non-US developed fixed	2.7%	-0.3%
	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, 2021.

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Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. 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 the 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, 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 2.18% which represents the S&P 20- year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
School District's proportionate share of the net OPEB liability	\$ 10,629,000	\$ 9,261,000	\$ 8,135,000

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, 2021, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1.00% lower or 1.00% higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB liability	\$ 9,260,000	\$ 9,261,000	\$ 9,262,000

OPEB Plan Fiduciary Net Position

Detailed information about 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.

Note 24 – Contingencies and Commitments

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 \$4,177,000 for the year ended June 30, 2022.

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.

Purchase Commitments

On April 12, 2022, the School Board approved the purchase of 1:1 devices under a three-year lease agreement executed in July 2022. The total payments under the lease are \$667,380.

**Required
Supplementary Information**

HEMPFIELD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Taxes				
Real estate taxes	\$ 80,334,304	\$ 80,334,304	\$ 79,101,948	\$ (1,232,356)
Other taxes	11,164,143	11,164,143	13,366,505	2,202,362
Investment earnings	200,000	200,000	129,807	(70,193)
Other local revenues	2,915,785	2,915,785	3,075,799	160,014
State sources	33,775,401	33,775,401	34,815,463	1,040,062
Federal sources	2,038,518	2,038,518	3,584,410	1,545,892
Total revenues	<u>130,428,151</u>	<u>130,428,151</u>	<u>134,073,932</u>	<u>3,645,781</u>
Expenditures				
Instructional services				
Regular programs	57,887,380	57,805,674	60,173,772	(2,368,098)
Special programs	24,312,985	24,902,654	24,853,160	49,494
Vocational education programs	1,300,000	1,510,375	1,363,206	147,169
Other instructional programs	708,940	780,098	921,225	(141,127)
Nonpublic school programs	-	-	29,277	(29,277)
Support services				
Students	4,944,821	4,996,709	4,859,120	137,589
Instructional staff	2,903,501	3,086,193	2,990,239	95,954
Administration	6,244,471	6,300,524	5,886,595	413,929
Pupil health	1,340,606	1,386,599	1,285,179	101,420
Business	885,452	910,287	625,753	284,534
Operations and maintenance	9,857,812	10,186,265	8,581,332	1,604,933
Student transportation services	5,867,031	3,996,206	5,036,785	(1,040,579)
Central	4,602,559	4,774,783	5,400,669	(625,886)
Other	60,000	61,335	61,335	-
Noninstructional services				
Student activities	2,044,482	2,240,701	2,018,752	221,949
Community services	9,908	9,908	16,639	(6,731)
Scholarships and awards	-	-	10,150	(10,150)
Facilities acquisition, construction	-	10,887	10,887	-
Debt service	-	-	755,439	(755,439)
Total expenditures	<u>122,969,948</u>	<u>122,959,198</u>	<u>124,879,514</u>	<u>(1,920,316)</u>
Excess of revenues over expenditures	7,458,203	7,468,953	9,194,418	1,725,465

(Continued)

HEMPFIELD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	<i>(Continued)</i> Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Proceeds from extended term financing	\$ -	\$ -	\$ 1,390,472	\$ 1,390,472
Refunds of prior years expenditures	157,082	157,082	3,558,829	3,401,747
Sale of capital assets	12,000	12,000	25,627	13,627
Loss on lease termination	-	-	(56,196)	(56,196)
Fund transfers out	(9,566,072)	(9,566,072)	(10,887,349)	(1,321,277)
Budgetary reserve	(500,000)	(500,000)	-	500,000
Total other financing sources (uses)	<u>(9,896,990)</u>	<u>(9,896,990)</u>	<u>(5,968,617)</u>	<u>3,928,373</u>
Net change in fund balances	(2,438,787)	(2,428,037)	3,225,801	5,653,838
Fund balance - July 1, 2021 (restated)	<u>18,008,896</u>	<u>18,008,896</u>	<u>21,130,186</u>	<u>3,121,290</u>
Fund balance - June 30, 2022	<u>\$ 15,570,109</u>	<u>\$ 15,580,859</u>	<u>\$ 24,355,987</u>	<u>\$ 8,775,128</u>

See accompanying notes to required supplementary information

HEMPFIELD SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
Public School Employees' Retirement System
Last 10 Fiscal Years¹

Year ending June 30 ²	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability
2021	0.3904%	\$ 160,285,000	\$ 55,394,330	289.35%	63.67%
2020	0.3920%	\$ 193,017,000	\$ 55,120,975	350.17%	54.32%
2019	0.3966%	\$ 185,540,000	\$ 54,597,579	339.83%	55.66%
2018	0.3976%	\$ 190,868,000	\$ 53,544,116	356.47%	54.00%
2017	0.4006%	\$ 197,850,000	\$ 53,334,038	370.96%	51.84%
2016	0.4004%	\$ 198,433,163	\$ 51,858,123	382.65%	50.14%
2015	0.3936%	\$ 170,488,892	\$ 50,638,050	336.68%	54.36%
2014	0.3876%	\$ 153,414,859	\$ 49,455,772	310.21%	57.24%

See notes to required supplementary information.

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

2. The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

HEMPFIELD SCHOOL DISTRICT
Schedule of Employer Contributions
Public School Employees' Retirement System
Last 10 Fiscal Years

Year ending June 30	(A) Contractually required contributions	(B) School District's contributions recognized by the pension plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the pension plan as a percentage of covered payroll
2022	\$ 19,340,633	\$ 19,340,633	\$ -	\$ 56,900,951	33.99%
2021	\$ 18,647,000	\$ 18,647,000	\$ -	\$ 55,389,340	33.69%
2020	\$ 18,466,000	\$ 18,466,000	\$ -	\$ 55,120,975	33.45%
2019	\$ 17,909,000	\$ 17,909,000	\$ -	\$ 54,597,479	32.60%
2018	\$ 15,323,000	\$ 15,323,000	\$ -	\$ 53,544,116	31.74%
2017	\$ 15,569,002	\$ 15,569,002	\$ -	\$ 53,334,038	29.20%
2016	\$ 13,097,515	\$ 13,097,515	\$ -	\$ 51,858,123	25.00%
2015	\$ 10,146,779	\$ 10,146,779	\$ -	\$ 50,638,050	20.50%
2014	\$ 7,912,924	\$ 7,912,924	\$ -	\$ 49,455,772	16.00%
2013	\$ 5,624,264	\$ 5,624,264	\$ -	\$ 48,906,642	11.50%

See notes to required supplementary information.

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 Years¹

Year ending June 30 ²	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	School District's covered payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability
2021	0.3908%	\$ 9,261,000	\$ 55,394,330	16.72%	5.30%
2020	0.3928%	\$ 8,487,000	\$ 55,120,975	15.40%	5.69%
2019	0.3966%	\$ 8,435,000	\$ 54,597,479	15.45%	5.56%
2018	0.3976%	\$ 8,290,000	\$ 53,544,116	15.48%	5.56%
2017	0.4006%	\$ 8,161,000	\$ 53,334,038	15.30%	5.73%
2016	0.4004%	\$ 8,625,000	\$ 51,858,123	16.63%	5.47%

See notes to required supplementary information.

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

2. The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

HEMPFIELD SCHOOL DISTRICT
Schedule of Employer Contributions
PSERS Health Insurance Premium Assistance Plan
Last 10 Fiscal Years ¹

Year ending June 30	(A) Contractually required contributions	(B) School District contributions recognized by the OPEB plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the OPEB plan as a percentage of covered payroll
2022	\$ 455,208	\$ 455,208	\$ -	\$ 56,900,951	0.80%
2021	\$ 455,000	\$ 455,000	\$ -	\$ 55,389,340	0.82%
2020	\$ 462,000	\$ 462,000	\$ -	\$ 55,120,975	0.84%
2019	\$ 453,000	\$ 453,000	\$ -	\$ 54,597,479	0.83%
2018	\$ 444,000	\$ 444,000	\$ -	\$ 53,544,116	0.83%
2017	\$ 443,000	\$ 443,000	\$ -	\$ 53,334,038	0.83%
2016	\$ 439,000	\$ 439,000	\$ -	\$ 51,858,123	0.85%
2015	\$ 453,000	\$ 453,000	\$ -	\$ 50,638,050	0.89%

See notes to required supplementary information.

Notes:

1. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

HEMPFIELD SCHOOL DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios
Single-Employer Defined Benefit OPEB Plan
Last 10 Fiscal Years¹

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning of year	\$ 9,994,000	\$ 9,132,000	\$ 8,874,000	\$ 8,978,000	\$ 8,317,000
Service cost	755,440	608,000	612,000	554,000	535,000
Interest	195,812	320,000	277,000	292,000	215,000
Changes of benefit terms	-	(20,000)	-	-	-
Differences between expected and actual experience	-	(726,000)	-	(284,000)	-
Changes of assumptions	(315,867)	1,099,000	(263,000)	(309,000)	325,000
Benefit payments	<u>(409,584)</u>	<u>(419,000)</u>	<u>(368,000)</u>	<u>(357,000)</u>	<u>(414,000)</u>
Net change in total pension liability	<u>225,801</u>	<u>862,000</u>	<u>258,000</u>	<u>(104,000)</u>	<u>661,000</u>
Total OPEB liability - end of year	<u>\$ 10,219,801</u>	<u>\$ 9,994,000</u>	<u>\$ 9,132,000</u>	<u>\$ 8,874,000</u>	<u>\$ 8,978,000</u>
Covered payroll	<u>\$ 51,409,815</u>	<u>\$ 51,409,815</u>	<u>\$ 48,851,760</u>	<u>\$ 48,851,760</u>	<u>\$ 46,928,908</u>
Total OPEB liability as a percentage of covered payroll	<u>19.88%</u>	<u>19.44%</u>	<u>18.69%</u>	<u>18.17%</u>	<u>19.13%</u>

See notes to required supplementary information.

Notes:

1. This schedules is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

Note 1 – Budgetary 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 the 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.

Excess of expenditures over appropriations

For the year ended June 30, 2022, expenditures exceed appropriations in the general fund by \$1,920,316. These over expenditures were funded by greater than anticipated revenues for federal programs and extended-term financing for the commencement of leases in that fund.

Note 2 – Pension Information: PSERS

Changes of benefit terms

With the passage of Act 5, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes of assumptions

June 30, 2021	The investment rate of return was adjusted from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Salary growth changed from an effective average of 5.00% (including inflation at 2.75%) to an effective average of 4.50% (including inflation at 2.50%).
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HEMPFIELD SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2022

Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

June 30, 2016 The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) 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.

Note 3 – OPEB Information: PSERS Premium Assistance Plan

Changes of benefit terms

None.

Changes of assumptions

June 30, 2021 The discount rate decreased from 2.66% to 2.18%.

Salary growth changed from an effective average of 5.00% (including inflation at 2.75%) to an effective average of 4.50% (including inflation at 2.50%).

Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

June 30, 2020 The discount rate decreased from 2.79% to 2.66%.

June 30, 2019 The discount rate decreased from 2.98% to 2.79%.

June 30, 2018 The discount rate decreased from 3.13% to 2.98%.

June 30, 2017 The discount rate increased from 2.71% to 3.13%.

June 30, 2016 Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) 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.

Note 4 – Single-Employer Defined Benefit OPEB Plan

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

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.

Changes of assumptions

June 30, 2021	The discount rate increased from 1.86% to 2.28%.
June 30, 2020	The discount rate decreased from 3.36% to 1.86%.
June 30, 2019	The discount rate increased from 2.98% to 3.36%.
June 30, 2018	The discount rate decreased from 3.13% to 2.98%. Percent of eligible retirees electing coverage in the plan was reduced from 100% to 90% for administrators and 35% to 25% for support staff.
June 30, 2017	The discount rate increased from 2.49% to 3.13%. Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

Single Audit

HEMPFIELD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass- through Grantor Number	Grant Period	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/21	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/22	Pass Through to Sub- recipients
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through the Pennsylvania Department of Education											
School Breakfast Program	I	10.553	365	07/01/21-06/30/22	N/A	\$ 683,788	\$ -	\$ 685,171	\$ 685,171	\$ 1,383	\$ -
National School Lunch Program	I	10.555	362	07/01/21-06/30/22	N/A	3,134,656	-	3,137,339	3,137,339	2,683	-
National School Lunch Program - Supply Chain Assistance	I	10.555	356	07/01/21-06/30/22	N/A	139,179	-	139,179	139,179	-	-
National School Lunch Program - Emergency Op. Costs	I	10.555	357	07/01/21-06/30/22	N/A	129,769	-	129,769	129,769	-	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program - Donated Commodities	I	10.555	2-06-36-310	07/01/21-06/30/22	N/A	237,140	(9,093)	240,025	240,025	(6,208)	-
Total AL # 10.555						3,640,744	(9,093)	3,646,312	3,646,312	(3,525)	-
Total Child Nutrition Cluster						4,324,532	(9,093)	4,331,483	4,331,483	(2,142)	-
Passed through the Pennsylvania Department of Education											
COVID-19 Pandemic EBT Administrative Costs	I	10.649	358	07/01/21-06/30/22	N/A	614	-	614	614	-	-
Total Department of Agriculture						4,325,146	(9,093)	4,332,097	4,332,097	(2,142)	-
U.S. Department of Education											
Passed through the Pennsylvania Department of Education											
Department of Education											
Title I Grants to Local Educational Agencies	I	84.010	013-210189	08/20/20-09/30/21	816,783	-	(721)	721	721	-	-
Title I Grants to Local Educational Agencies	I	84.010	013-220189	09/21/21-09/30/22	1,255,295	687,948	-	1,048,875	1,048,875	360,927	-
Total AL # 84.010						687,948	(721)	1,049,596	1,049,596	360,927	-
English Language Acquisition State Grants	I	84.365	010-210189	08/20/20-09/30/21	64,904	13,908	11,395	2,513	2,513	-	-
English Language Acquisition State Grants	I	84.365	010-220189	09/21/21-09/30/22	66,869	60,959	-	66,869	66,869	5,910	-
Total AL # 84.365						74,867	11,395	69,382	69,382	5,910	-
Supporting Effective Instruction State Grants	I	84.367	020-210189	08/20/20-09/30/21	161,598	23,842	22,367	1,475	1,475	-	-
Supporting Effective Instruction State Grants	I	84.367	020-220189	09/21/21-09/30/22	212,961	115,249	-	190,621	190,621	75,372	-
Total AL # 84.367						139,091	22,367	192,096	192,096	75,372	-
Student Support and Academic Enrich. Program	I	84.424	144-210189	08/20/20-09/30/21	65,294	23,319	23,319	-	-	-	-
Student Support and Academic Enrich. Program	I	84.424	144-220189	09/21/21-09/30/22	61,423	33,054	-	37,776	37,776	4,722	-
Total AL # 84.424						56,373	23,319	37,776	37,776	4,722	-

(Continued)

HEMPFIELD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass- through Grantor Number	Grant Period	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/21	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/22	(Continued) Pass Through to Sub- recipients
COVID-19 Education Stabilization Fund SECIM	I	84.425C	252-200189	03/01/20-09/30/22	65,703	3,458	(15,811)	5,898	5,898	(13,371)	-
COVID-19 Education Stabilization Fund ESSER I	I	84.425D	200-200189	03/13/20-09/30/22	707,135	657,800	513,575	144,225	144,225	-	-
COVID-19 Education Stabilization Fund ESSER II	I	84.425D	200-210189	03/13/20-09/30/23	3,016,124	631,282	-	1,060,418	1,060,418	429,136	-
COVID-19 Education Stabilization Fund ARP ESSER III	I	84.425U	223-210189	03/13/20-09/30/24	6,100,747	332,768	-	813,354	813,354	480,586	-
COVID-19 Education Stabilization Fund ARP - ESSER 7%	I	84.425U	225-210189	03/13/20-09/30/24	474,165	25,864	-	-	-	(25,864)	-
Passed through Pennsylvania											
Commission on Crime and Delinquency											
COVID-19 ESSER School Health and Safety Grants	I	84.425D	35357	07/01/20-09/30/22	211,665	<u>211,665</u>	<u>209,996</u>	<u>1,669</u>	<u>1,669</u>	<u>-</u>	<u>-</u>
Total AL # 84.425						<u>1,862,837</u>	<u>707,760</u>	<u>2,025,564</u>	<u>2,025,564</u>	<u>870,487</u>	<u>-</u>
Special Education Cluster											
Passed through Lancaster-Lebanon IU 13											
Special Education Grants to States	I	84.027	062-22-0013	07/01/21-09/30/22	1,535,065	1,535,065	-	1,535,065	1,535,065	-	-
COVID-19 Special Education Grants to States ARP	I	84.027	062-22-0013	07/01/21-09/30/23	365,155	<u>12,889</u>	<u>-</u>	<u>12,889</u>	<u>12,889</u>	<u>-</u>	<u>-</u>
Total AL # 84.027						<u>1,547,954</u>	<u>-</u>	<u>1,547,954</u>	<u>1,547,954</u>	<u>-</u>	<u>-</u>
Special Education Preschool	I	84.173	131-21-0013	07/01/21-06/30/22	5,319	<u>5,319</u>	<u>-</u>	<u>5,319</u>	<u>5,319</u>	<u>-</u>	<u>-</u>
Total Special Education Cluster						<u>1,553,273</u>	<u>-</u>	<u>1,553,273</u>	<u>1,553,273</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education						<u>4,374,389</u>	<u>764,120</u>	<u>4,927,687</u>	<u>4,927,687</u>	<u>1,317,418</u>	<u>-</u>
Total Federal Financial Assistance						<u>\$ 8,699,535</u>	<u>\$ 755,027</u>	<u>\$ 9,259,784</u>	<u>\$ 9,259,784</u>	<u>\$ 1,315,276</u>	<u>\$ -</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

HEMPFIELD SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Noncash Assistance

The School District receives donated commodities passed through the Pennsylvania Department of Agriculture under the Child Nutrition Cluster. Amounts are reported under the accrual basis of accounting and expenditures are recognized when consumed. Inventories for donated commodities are deferred. Total noncash assistance on the accrual basis for the year ending June 30, 2022 was \$240,025.

Note 2 – De Minimis Cost Rate

The School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Source Code

The source code “1” indicates funds received indirectly.

Note 4 – Reconciliation with PDE Subsidy Confirmation

The following summary reconciles amounts reported as received on the Schedule to the Pennsylvania Department of Education’s Confirmation of Subsidy Payments:

Amount Received Per Schedule	\$ 8,699,535
Add: State Funding on Confirmation	118,024
Less: PA Executive Offices	(211,665)
Less: Passed through IUs	(1,553,273)
Less: Donated Commodities	<u>(237,140)</u>
Per PDE Subsidy Confirmation	<u>\$ 6,815,481</u>

HEMPFIELD SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
June 30, 2022

Finding 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.

Current Status

Resolved.

Finding 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.

Current Status

Resolved.

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

Criteria, Statement of Condition, Cause and Effect

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.

Current Status

Resolved.

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

Board of Directors
Hempfield School District
Landisville, 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, 2022, 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 February 13, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on 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

Hempfield School District
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Meyer, Patsy & Associates, LLC

Carnegie, Pennsylvania
February 13, 2023

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

Board of Directors
Hempfield School District
Landisville, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hempfield School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hempfield School District's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Hempfield School District
Independent Auditor's Report on Compliance
For Each Major Program and on Internal
Control over Compliance Required by the
Uniform Guidance

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hempfield School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hempfield School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hempfield School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Hempfield School District
Independent Auditor's Report on Compliance
For Each Major Program and on Internal
Control over Compliance Required by the
Uniform Guidance

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

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

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

Myra, Satay & Associates, LLC

Carnegie, Pennsylvania
February 13, 2023

HEMPFIELD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2022

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified, prepared in accordance with generally accepted accounting principles
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Internal control over financial reporting:

Material weakness(es) identified?	No
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Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
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Noncompliance material to financial statements noted?	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
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Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
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Type of auditor’s report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
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Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>AL Number(s)</u>
Child Nutrition Cluster	10.553, 10.555
Special Education Cluster	84.027, 84.173
Education Stabilization Fund	84.425

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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HEMPFIELD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2022

Section 2 – Findings – Financial Statements Audit

None.

Section 3 – Findings and Questioned Costs – Major Federal Awards Programs Audit

None.