

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 30, 2024

NEW ISSUE—BOOK-ENTRY ONLY

RATING: Moody's: "Aa3" (Underlying)
(See "RATING" herein)

In the opinion of Bond Counsel, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and all regulations applicable thereunder, and subject to the conditions described in "TAX MATTERS" herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.

\$15,000,000*

Elizabethtown Area School District

Lancaster County, Pennsylvania
General Obligation Bonds, Series of 2024

Dated: Date of Delivery

Interest Due: May 15 and November 15

First Interest Payment: November 15, 2024

Principal Due: November 15 (as shown on inside cover)

The General Obligation Bonds, Series of 2024 (the "Bonds") in the aggregate principal amount of \$15,000,000* will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Elizabethtown Area School District, Lancaster County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District (But see "Security" and "The Taxpayer Relief Act" herein).

Interest on each of the Bonds is payable initially on November 15, 2024, and thereafter semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Manufacturers and Traders Trust Company (the "Paying Agent"), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its specified corporate trust office in Harrisburg, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS" *infra*).

The Bonds are subject to optional redemption prior to maturity as described herein.

Proceeds of the Bonds are to be applied for the purpose of providing funds for and towards: (1) various capital projects of the School District including renovations, upgrades and additions to School District athletic facilities and education buildings, acquisition of land and other capital projects as determined by the School Board; and (2) paying costs and expenses of issuing the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, RATES AND YIELDS/PRICES

See Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saxton & Stump, Lancaster, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Saxton & Stump, Lancaster, Pennsylvania, School District Solicitor and by McNeese Wallace & Nurick LLC, of Harrisburg, Pennsylvania, Limited Scope Underwriter's Counsel. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will serve as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about June 4, 2024.

RAYMOND JAMES®

Dated: _____

*Estimated, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$15,000,000*
Elizabethtown Area School District
Lancaster County, Pennsylvania
General Obligation Bonds, Series of 2024

Dated: Date of Delivery

First Interest Payment: November 15, 2024

Interest Due: May 15 and November 15

Principal Due: November 15 (as shown below)

Maturity Date (November 15) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP Numbers⁽¹⁾
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriters have agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Estimated, subject to change.

ELIZABETHTOWN AREA SCHOOL DISTRICT

Lancaster County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Stephen T. Lindemuth.....	President
James C. Emery	Vice-President
Kelly A. Carter.....	Member
James R. Gilles, Jr.....	Member
Danielle D. Lindemuth.....	Member
James L. Read.....	Member
Menno E. Riggelman	Member
Lynda D. Shrum.....	Member
Tina M. Wilson.....	Member

SUPERINTENDENT
DR. KAREN NELL

CHIEF FINANCE AND OPERATIONS OFFICER
TOM STRICKLER

SCHOOL DISTRICT SOLICITOR
SAXTON & STUMP
Lancaster, Pennsylvania

BOND COUNSEL
SAXTON & STUMP
Lancaster, Pennsylvania

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

UNDERWRITER
RAYMOND JAMES & ASSOCIATES, INC.
Lancaster, Pennsylvania

LIMITED SCOPE UNDERWRITERS' COUNSEL
MCNEES WALLACE & NURICK LLC
Harrisburg, Pennsylvania

PAYING AGENT
MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania and Buffalo, New York

SCHOOL DISTRICT ADDRESS
600 East High Street
Elizabethtown, Pennsylvania 17022

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

IN CONNECTION WITH THIS OFFERING OF BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PUBLIC OFFERING PRICES STATED ON THE COVER HEREOF MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER WITHOUT PRIOR NOTICE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>		
INTRODUCTION	1	LABOR RELATIONS.....	23
PURPOSE OF THE ISSUE.....	1	School District Employees	23
Sources and Uses of Bond Proceeds.....	1	Pension Program	23
THE BONDS	2	Other Post-Employment Benefits.....	24
Description.....	2	NO LITIGATION CERTIFICATE.....	24
Payment of Principal and Interest.....	2	DEFAULTS AND REMEDIES.....	24
Transfer, Exchange and Registration of Bonds	2	BONDHOLDER CONSIDERATIONS.....	24
Commonwealth Enforcement of Debt Service Payments.....	3	Cybersecurity	24
Pennsylvania Budget Adoption	3	Climate Change.....	25
Security	4	Coronavirus Pandemic	25
Sinking Fund.....	5	Risk of Audit by Internal Revenue Service	25
BOOK-ENTRY ONLY SYSTEM.....	5	TAX MATTERS	25
REDEMPTION OF BONDS	7	Federal Tax Laws.....	25
Mandatory Redemption.....	7	Tax Exemption.....	26
Optional Redemption	7	Regulations, Future Legislation	27
Notice of Redemption	7	CONTINUING DISCLOSURE UNDERTAKING.....	27
Manner of Redemption	7	RATING.....	28
THE SCHOOL DISTRICT	8	UNDERWRITING	28
Introduction.....	8	LEGAL OPINION.....	28
Administration	8	FINANCIAL ADVISOR	28
School Facilities.....	8	MISCELLANEOUS	28
Enrollment Trends.....	9	APPENDIX A - DEMOGRAPHIC AND ECONOMIC INFORMATION	
SCHOOL DISTRICT FINANCES	9	RELATING TO THE ELIZABETHTOWN AREA SCHOOL DISTRICT	
Introduction.....	9	Population	1
Financial Reporting.....	9	Employment.....	2
Budgeting Process as modified by Act 1 of 2006		Income	4
(Taxpayer Relief Act)	9	Commercial Activity.....	4
Summary and Discussion of Financial Results.....	10	Educational Institutions.....	4
Revenue	12	Medical Facilities.....	4
TAXING POWERS OF THE SCHOOL DISTRICT.....	13	Transportation Facilities.....	4
In General	13	Utilities	5
The Taxpayer Relief Act (Act 1).....	13	APPENDIX B - OPINION OF BOND COUNSEL	
The Bonds are <u>not</u> “Grandfathered” under the Taxpayer		APPENDIX C - CONTINUING DISCLOSURE CERTIFICATE	
Relief Act.....	14	APPENDIX D - AUDITED FINANCIAL STATEMENT	
Act 130 of 2008	14		
Act 48 of 2003 – Limitation on School District Fund			
Balances.....	15		
Tax Levy Trends	15		
Real Property Tax	16		
Other Taxes.....	17		
COMMONWEALTH AID TO SCHOOL DISTRICTS.....	18		
DEBT AND DEBT LIMITS	19		
Debt Statement.....	19		
Debt Service Requirements.....	22		
Future Financing	22		

PRELIMINARY OFFICIAL STATEMENT

\$15,000,000*

Elizabethtown Area School District

**Lancaster County, Pennsylvania
General Obligation Bonds, Series of 2024**

INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover page hereof, is furnished by Elizabethtown Area School District, Lancaster County, Pennsylvania (the "School District") \$15,000,000* aggregate principal amount of General Obligation Bonds, Series of 2024 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on April 30, 2024, (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds are to be applied for the purpose of providing funds for and towards: (1) various capital projects of the School District including renovations, upgrades and additions to School District athletic facilities and education buildings, acquisition of land and other capital projects as determined by the School Board; and (2) paying costs and expenses of issuing the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

	<u>Totals</u>
<u>Source of Funds</u>	
Par Amount of Bonds.....	
Plus/Less: Net Original Issue Premium/(Discount)....	
<i>Total Source of Funds</i>	
<u>Use of Funds</u>	
Project Fund Deposit.....	
Costs of Issuance ⁽¹⁾	
<i>Total Use of Funds</i>	

⁽¹⁾Includes underwriter's discount, legal, financial advisor, printing, credit rating, paying agent and miscellaneous fees/rounding.

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$15,000,000*, will be dated as of the date of delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on November 15, 2024, and thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK – ENTRY ONLY SYSTEM” herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the “Paying Agent”), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office in Harrisburg, Pennsylvania or Buffalo, New York (or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding November 15, 2024, in which event such Bond shall bear interest from the date of delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) calendar day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under “Book-Entry Only System,” Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

*Estimated, subject to change.

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally. See "**Pennsylvania Budget Adoption**" hereinafter.

Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget. In the state's 2015-16 fiscal year, a final budget was not enacted until 270 days following the beginning of the fiscal year on March 27, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and Governor signed into law additional tax and revenue package, known as Act 85 of 2016, which was needed to balance the 2016-17 state budget.

For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 Budget at the time of its enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017 the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017.

The budget for the 2018-19 and the 2019-20 fiscal years were adopted timely. Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. The legislation has been sent to the Governor's desk for approval and on November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget includes mostly flat funding for public education similar to stopgap budget adopted for the first five months of the 2020-21 fiscal year.

The Governor has signed the state's 2021-2022 fiscal year budget that directs more money to public schools on June 30, 2021. The budget includes an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that includes some in both urban and rural areas of the state. Special education would receive a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs will receive a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reaches a record high of \$13.55 billion in the new budget.

After a week's delay and intense negotiations, the \$45.2 billion budget for Pennsylvania's 2022-2023 fiscal year was signed by Governor Tom Wolf on July 8, 2022. The 2022-2023 enacted budget includes \$7,625,124,000 for the basic education funding appropriation and \$225,000,000 to supplement those school districts with a higher at risk student population. The total amount is a \$767,820,000 (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay and intense negotiations, a \$45.5 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8,421,751,000 for the basic education funding appropriation. The total amount is a \$796,627,000 (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school district for special education services for a total of \$1.3 billion.

During a state budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See “Act 85 of 2016” hereinafter.

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Pennsylvania Department of Education (“PDE”) to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has, subject to statutory restrictions and limitations, covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power. (See “**The Taxpayer Relief Act**” herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see “Defaults and Remedies” herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see “Commonwealth Enforcement of Debt Service Payments” herein).

Sinking Fund

A Sinking Fund for the payment of debt service on the Bonds, designated “Sinking Fund, General Obligation Bonds, Series of 2024” (the “Sinking Fund”), has been created in accordance with the Resolution and will be maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent as authorized by the Debt Act and upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the “Issuer”) and the Underwriter do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The Ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the

nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds stated to mature on November 15, ____ are subject to redemption prior to maturity as required by the Resolution, in the amounts and on November 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

Bonds stated to mature November 15, ____ :

*Final Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

In the case of any prior, optional redemption in part of a Bond that is subject to future mandatory redemption pursuant to the operation of the Mandatory Sinking Fund, the School District shall be entitled to designate whether the principal amount of such Bond redeemed upon optional redemption shall be credited against the principal amount of such Bond to be paid by the School District at the stated maturity of such Bonds or credited against the principal amount of such Bonds scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

Optional Redemption

The Bonds stated to mature on and after November 15, _____ are subject to redemption prior to maturity at the option of the School District as a whole, or from time to time in part (and if in part, in any order of maturities designated by the School District and within a maturity as selected by lot), on _____, _____, or on any date thereafter, at a redemption price equal to 100% of the principal amount redeemed, together with accrued interest to the date fixed for redemption.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

Notice of any redemption of certificated Bonds shall be given by depositing a copy of a redemption notice in first class mail not less than thirty (30) days prior to the date fixed for redemption, addressed to the registered owners of each of the Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books kept by the Paying Agent as of the day such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal thereof and accrued interest thereon to the date fixed for redemption.

If at the time of mailing of a notice of redemption the School District shall not have deposited with the Paying Agent, as sinking fund depository, money sufficient to redeem all Bonds or portions thereof called for redemption, the notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such money is so deposited. If the Bonds to be called for redemption shall have been refunded, money sufficient to redeem such Bonds shall be deemed to be on deposit with the Paying Agent for the purposes of this paragraph and the notice of redemption need not state that it is conditional, if the redemption money has been deposited irrevocably with another bank or bank and trust company which shall have been given irrevocable instructions to transfer the same to the Paying Agent not later than the redemption date. If sufficient funds are not received, such notice of redemption shall be of no effect.

Manner of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity of a series are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them,

subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of the same maturity and in authorized denominations of the same series, maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

THE SCHOOL DISTRICT

Introduction

The School District covers 60 square miles and is comprised of the townships of Conoy, a portion of Mount Joy and West Donegal and the Borough of Elizabethtown. The School District is approximately eighteen miles northwest of the City of Lancaster, in the northwestern section of Lancaster County, near the Susquehanna River. Major urban centers are readily accessible as the School District is located approximately 100 miles west of Philadelphia, 45 miles southwest of Reading, 90 miles southwest of Allentown, 15 miles east of York and 20 miles southeast of Harrisburg, the Commonwealth capitol.

The School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth").

Administration

The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools and Chief Finance and Operations Officer who are appointed by the Board of School Directors.

School Facilities

The schools presently operated by the School District consists of one senior high school (grades 9-12), one middle school (grades 6-8), and five elementary schools (grades K-6) all as described on the following table.

**TABLE 1
ELIZABETHTOWN AREA SCHOOL DISTRICT FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades	Rated Pupil Capacity	2023-24 Enrollment
<u>Elementary:</u>					
East High	1963	1989/2012	K-2	564	467
Bainbridge	1934	1964/1992/2018	K-2	257	218
Bear Creek	2011	---	3-5	1,502	802
<u>Secondary:</u>					
Middle School.....	1962	1973/1999/2021	6-8	1,087	844
High School.....	1957	1974/1999	9-12	1,320	1,249

Source: School District Officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the Pennsylvania Department of Education.

**TABLE 2
ELIZABETHTOWN AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
School Year	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2019-20	1,982	1,901	3,883	2024-25	1,848	1,698	3,546
2020-21	1,822	1,881	3,703	2025-26	1,852	1,658	3,510
2021-22	1,840	1,842	3,682	2026-27	1,883	1,617	3,500
2022-23	1,792	1,850	3,642	2027-28	1,905	1,598	3,503
2023-24	1,487	2,093	3,580	2028-29	1,523	1,901	3,424

Source: School District Officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Director of Finance and Operations and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Boyer & Ritter LLC, Camp Hill, Pennsylvania serves as School District's auditor.

Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of each fiscal year which commences on July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together "The Taxpayer Relief Act" or "Act 1") all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from the PA Department of Education (PDE) suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "**The Taxpayer Relief Act (Act 1)**" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, or seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "**The Taxpayer Relief Act (Act 1)**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE. If PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing must be published by the school district immediately upon receipt of the notification from PDE that a hearing is required. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school

district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared and approved at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

A summary of the General Fund Balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5, shows revenue and expenditures for the past five years and the budget for 2023-24.

**TABLE 3
ELIZABETHTOWN AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**

ASSETS	2019	2020	2021	2022	2023
Cash and Cash Equivalents	\$3,688,683	\$6,559,604	\$10,895,906	\$14,953,704	\$20,076,145
Investments	6,233,191	3,811,839	1,485,366	0	0
Taxes Receivable	1,350,393	1,445,731	1,530,553	1,379,007	1,343,256
Interfund Receivables	279,150	257,716	154,713	92,496	802,261
Intergovernmental Receivables	3,465,737	3,396,581	3,666,199	2,899,362	2,292,284
Other Receivables	41,823	118,926	42,646	45,851	56,526
Inventory of Material	104,803	108,497	131,430	128,035	109,300
Other	310,550	52,205	42,896	17,639	48,005
TOTAL ASSETS	\$15,474,330	\$15,751,099	\$17,949,709	\$19,516,094	\$24,727,777
LIABILITIES					
Accounts Payable	\$467,506	\$702,944	\$888,225	\$472,917	\$774,006
Accrued Salaries and Benefits	5,805,994	6,047,409	6,127,074	5,974,530	6,022,675
Payroll Deducts & Withholdings	281,427	379,749	288,052	252,901	261,980
Due to Other Funds	1,597,716	23,417		11,676	588,841
Due to Other Governments	214,461	245,701	493,589	429,567	340,438
Other	87,758	189,962	94,872	296,836	110,576
TOTAL LIABILITIES	\$8,454,862	\$7,589,182	\$7,891,812	\$7,438,427	\$8,098,516
DEFERRED INFLOWS OF RESOURCES	\$457,667	\$546,991	\$459,167	\$269,502	\$332,634
FUND EQUITIES					
Nonspendable Fund Balance	\$415,353	\$418,223	\$320,957	\$145,674	\$157,305
Restricted Fund Balance			0	0	0
Committed Fund Balance	1,000,000	1,000,000	400,000	400,000	8,700,000
Assigned Fund Balance	700,000	1,350,000	3,700,000	5,900,000	5,900,000
Unassigned Fund Balance	4,446,448	4,846,703	5,177,773	5,362,491	1,539,322
TOTAL FUND EQUITIES	\$6,561,801	\$7,614,926	\$9,598,730	\$11,808,165	\$16,296,627
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES	\$15,474,330	\$15,751,099	\$17,949,709	\$19,516,094	\$24,727,777

Source: School District Annual Financial Reports.

TABLE 4
ELIZABETHTOWN AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	<u>Actual</u>					<u>Budget</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024⁽¹⁾</u>
Beginning Fund Balance	\$4,912,751	\$6,561,801	\$7,614,926	\$9,598,729	\$11,808,164	\$16,296,625
Revenues over (under)						
Expenditure	1,649,048	1,053,125	1,983,804	2,209,436	4,488,461	(6,971,510)
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$6,561,799</u>	<u>\$7,614,926</u>	<u>\$9,598,730</u>	<u>\$11,808,164</u>	<u>\$16,296,625</u>	<u>\$9,325,115</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 13, 2023.

Source: School District Financial Reports and Budget.

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Revenue

The School District received \$78,931,001 of revenue in 2022-23 and has budgeted for \$77,460,267 in 2023-24. Local sources decreased as a share of total revenue in the past five years, from 68.4 percent in 2018-19 to 65.0 percent in 2022-23. Revenue from State sources decreased as a share of the total revenue from 30.3 percent to 27.9 percent over this period. Federal revenue and other sources increased as a share of the total revenue from 1.3 percent to 7.1 percent over this period.

TABLE 5
ELIZABETHTOWN AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending June 30)

REVENUE:	Actual					Budget
	2019	2020	2021	2022	2023	2024 ⁽¹⁾
Local Sources:						
Real Estate Taxes (Current)	\$34,056,034	\$35,649,825	\$37,211,858	\$39,185,228	\$40,817,492	\$42,404,482
Interim Real Estate	379,616	305,704	227,065	358,691	234,174	360,000
Total Act 511 Taxes	4,875,380	4,778,396	5,655,199	6,067,580	6,176,396	5,980,180
Public Utility Tax	37,576	35,059	39,072	41,248	42,555	44,000
Delinquent Taxes	578,191	605,067	749,914	672,143	411,921	653,450
Earnings from Temporary Deposits & Investments	387,753	425,732	118,040	90,763	541,983	380,000
Payments in Lieu of Current Taxes - State/Local Reimbursement	959,108	968,698	978,384	988,168	997,989	1,007,968
State Rev. Rec'd from Other PA Public Schools	0	500	0	2,456	19,755	0
Fed. Rev. Rec'd from Other PA Public Schools	155,719	102,405	1,221,875	151,326	79,485	0
Federal IDEA Pass Through Revenue	651,128	679,111	0	660,403	932,633	967,697
Revenue from Student Activities	174,391	110,841	0	145,854	170,445	136,000
Other Revenue from Intermediate Sources	642,153	109,067	82,685	114,317	59,750	0
Contributions and Donations from Private Sources	85,646	21,896	0	46,047	36,111	50,000
Rentals	23,063	15,522	16,704	26,026	36,806	30,000
Tuition from Patrons	0	0	0	0	0	300,000
Receipts from Other LEA's	687,505	207,778	391,348	379,780	484,744	0
Refunds of Prior Year's Expenditures	0	46,099	42,948	0	44,093	190,000
Other Sources	120,931	152,559	250,037	139,976	207,207	0
Total Local Sources	\$43,814,192	\$44,214,260	\$46,985,129	\$49,070,006	\$51,293,540	\$52,503,777
State Sources:						
Instructional Subsidy	\$8,985,070	\$9,215,283	\$9,215,273	\$9,344,745	\$10,317,125	\$10,775,636
Tuition-Orphans & Children in Private Homes	86,250	120,810	137,082	98,055	114,515	135,000
Vocational Education	53,876	44,362	42,523	44,600	39,269	45,000
Special Education	2,160,293	2,251,512	2,251,354	2,346,228	2,534,725	2,436,580
Transportation	943,166	1,015,310	1,100,326	910,894	937,859	990,000
Rentals & Sinking Fund Payment	427,544	401,828	263,623	781,016	496,433	469,482
Health Services	75,752	77,193	81,312	75,195	80,944	80,000
Social Security	1,051,711	934,539	1,133,875	1,042,012	1,020,522	1,152,209
Revenue-Retirement Payment	4,508,621	4,687,029	5,050,686	4,977,620	5,087,353	5,120,927
PA Accountability/ Ready to Learn Block Grant	472,997	472,997	472,997	472,997	472,997	472,997
Extra Grants	25,000	29,423	31,521	15,000	140,233	0
State Property Tax Reduction Allocation	599,287	599,402	600,210	598,472	808,153	751,659
Other Sources	225	9,533	0	0	0	0
Total State Sources	\$19,389,792	\$19,859,222	\$20,380,782	\$20,706,833	\$22,050,129	\$22,429,490
Federal Sources:						
Total Federal Sources	\$861,425	\$876,874	\$1,866,173	\$1,752,671	\$2,303,856	\$2,527,000
Other Sources:						
Total Other Sources	(\$8,440)	\$39,317	\$0	\$0	\$3,283,476	\$0
TOTAL REVENUE	\$64,056,969	\$64,989,673	\$69,232,084	\$71,529,510	\$78,931,001	\$77,460,267
EXPENDITURES:						
Instruction	\$39,038,001	\$40,529,098	\$42,328,304	\$43,925,680	\$47,080,453	\$49,823,730
Pupil Personnel	2,325,313	2,474,973	3,049,066	2,898,229	3,056,022	3,277,299
Instructional Staff	1,010,420	1,060,131	491,400	986,058	1,132,747	941,637
Administration	3,816,425	3,932,703	3,909,577	3,993,207	3,707,773	3,896,082
Pupil Health	809,394	834,295	812,179	889,273	841,928	829,561
Business	1,041,631	1,073,286	1,756,758	1,162,567	1,014,408	998,912
Operation and Maintenance	4,637,576	4,635,631	4,717,111	5,311,113	5,707,399	5,676,783
Student Transportation	2,647,269	2,318,269	2,331,952	2,470,012	2,803,037	3,013,040
Central	1,496,135	1,584,613	1,635,973	1,726,768	1,951,579	1,924,962
Other Support	25,437	25,495	26,823	27,096	36,985	28,000
Operation of Noninstructional Services	1,315,416	1,217,641	1,029,761	1,140,576	1,231,386	1,249,917
Debt Service	0	2,309	4,059,377	8,664	254,189	7,000,000
Fund Transfers	4,244,905	4,248,105	1,100,000	4,780,832	5,405,556	5,271,854
Budgetary Reserve and Other	0	0	0	0	219,078	500,000
TOTAL EXPENDITURES	\$62,407,921	\$63,936,548	\$67,248,280	\$69,320,074	\$74,442,540	\$84,431,777
SURPLUS (DEFICIT)						
OF REVENUES OVER EXPENDITURES	\$1,649,048	\$1,053,125	\$1,983,804	\$2,209,436	\$4,488,461	(\$6,971,510)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 13, 2023.

Source: School District Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act (more specifically described below), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101) the (“Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the Federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the next, current and prior fiscal years are as follows:

Fiscal Year	Index %
2019-20	2.9%
2020-21	3.3%
2021-22	3.8%
2022-23	4.3%
2023-24	5.1%
2024-25	6.6%

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The information set forth above is a summary of Act 1. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1 and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

The Bonds are not “Grandfathered” under the Taxpayer Relief Act

The Bonds were not authorized before the effective date of Act 1, and therefore the Bonds cannot be granted an exception for debt incurred prior to such effective date and will not be exempt from the Act 1 referendum requirement to pay debt service on the Bonds if a tax increase greater than the Index is needed.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District presently does not levy an occupation tax.

Act 48 of 2003 – Limitation on School District Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved and undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures*</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 48. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 48 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

*GASB 54 requires that effective with the June 30, 2011 financial statements, fund balances are designated as assigned or unassigned, not reserved and unreserved.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the townships, the borough and Lancaster County.

**TABLE 6
ELIZABETHTOWN AREA SCHOOL DISTRICT TAX RATES**

	<u>Real Estate (mills)</u>	<u>Earned Income⁽¹⁾ (%)</u>	<u>Real Estate Transfer⁽¹⁾ (%)</u>
2019-20.....	17.0878	0.50	0.50
2020-21.....	17.5577	0.50	0.50
2021-22.....	18.0669	0.50	0.50
2022-23.....	18.6089	0.50	0.50
2023-24.....	19.1671	0.50	0.50

⁽¹⁾Subject to sharing with municipalities providing they levy the tax.
Source: School District officials.

**TABLE 7
ELIZABETHTOWN AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<i>School District</i>	17.0878	17.5577	18.0669	18.6089	19.1671
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Conoy Township.....	0.0000	0.0000	0.0000	0.0000	0.0000
Elizabethtown Borough.....	4.4000	4.6000	4.6000	5.1000	5.5000
Upper Mount Joy Township ⁽¹⁾	2.2400	2.2400	2.7400	2.7400	3.2400
West Donegal Township.....	1.6000	1.8000	1.8000	1.8000	1.8000
Lancaster County.....	2.9110	2.9110	2.9110	2.9110	2.9110

⁽¹⁾Portion located within the School District.
Source: Local Government Officials and Lancaster County website.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$40,829,159 in 2022-23, approximately 51.7 percent of total revenue. The bills are dated July 1 and taxpayers who remit within 60 days receive a 2 percent discount and those who remit subsequent to October 30 are assessed a 10 percent penalty.

Also, qualified homeowners have the option of paying in three (3) installments; however, the taxpayers opting to pay via installments are not eligible for the discount. The installment program has the taxpayer pay 50% of the base by August 31st, 25% of the base by October 31st, and 25% of the base & penalty by December 31st.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. Lancaster County completed a countywide reassessment that became effective January 1, 2018. Assessed values are based on property market values as of January 1, 2018. The predetermined ratio is 100%.

**TABLE 8
ELIZABETHTOWN AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value	Assessed Value	Ratio
2018-19	\$1,943,890,711	\$2,125,091,100	109.32%
2019-20	1,989,181,094	2,173,509,700	109.27%
2020-21	2,076,722,103	2,209,260,600	106.38%
2021-22	2,108,132,255	2,240,050,100	106.26%
2022-23	2,278,889,287	2,284,155,400	100.23%

Source: The Tax Equalization Division (TED) (formerly PA State Tax Equalization Board (STEB))

**TABLE 9
ELIZABETHTOWN AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2021 Market Value	2021 Assessed Value	2022 Market Value	2022 Assessed Value
<i>School District</i>	\$2,108,132,255	\$2,240,050,100	\$2,278,889,287	\$2,284,155,400
Conoy Township	222,961,683	244,443,600	241,658,229	245,752,300
Elizabethtown Borough	568,021,823	629,935,500	615,663,534	638,325,400
Mt. Joy Twp. ⁽¹⁾	618,840,685	635,629,400	660,630,298	647,344,700
West Donegal Twp.	698,308,063	730,041,600	760,937,226	752,733,000
Lancaster County	42,025,064,775	43,295,407,500	45,092,036,329	43,771,953,400

⁽¹⁾Shared municipality.

Source: The Tax Equalization Division (TED) (formerly PA State Tax Equalization Board (STEB))

**TABLE 10
ELIZABETHTOWN AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2018	2019	2020	2021	2022
Residential	\$1,590,012,700	\$1,618,648,000	\$1,641,964,500	\$1,663,997,400	\$1,687,319,900
Lots	21,021,400	20,632,700	19,137,800	20,826,300	20,772,400
Industrial	80,015,200	79,438,500	79,525,200	79,991,200	81,463,400
Commercial	308,822,000	328,953,700	343,019,300	348,677,200	367,495,500
Agriculture	90,391,000	90,930,100	89,266,300	116,145,900	116,868,200
Land	24,597,900	24,771,700	26,111,700	106,200	106,200
Seasonal	609,000	609,000	609,000	609,000	396,400
Trailers	9,621,900	9,526,000	9,626,800	9,696,900	9,733,400
Total	\$2,125,091,100	\$2,173,509,700	\$2,209,260,600	\$2,240,050,100	\$2,284,155,400

Source: The Tax Equalization Division (TED) (formerly PA State Tax Equalization Board (STEB))

**TABLE 11
ELIZABETHTOWN AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Assessed Valuation</u>	<u>Millage Rate</u>	<u>Total Flat Billing</u>	<u>Current Year Collections (July-June)</u>	<u>Current Year Collections as Percent of Total Flat Billing</u>	<u>Total Current Plus Delinquent Collections⁽¹⁾</u>	<u>Total Collections as Percent of Total Flat Billing</u>
2018-19	\$2,125,091,100	16.6063	\$35,602,301	\$34,435,650	96.72%	\$35,013,841	98.35%
2019-20	2,175,939,425	17.0878	37,182,018	35,955,529	96.70%	36,560,596	98.33%
2020-21	2,224,662,200	17.5577	38,459,284	37,218,559	96.77%	37,853,954	98.43%
2021-22	2,253,245,600	18.0669	40,110,269	39,040,691	97.33%	39,764,803	99.14%
2022-23	2,291,587,200	18.6089	41,834,217	40,829,159	97.60%	41,226,532	98.55%

⁽¹⁾Delinquent real property tax collection.

Source: School District officials.

The ten largest real property taxpayers, together with their assessed values are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 5.7 percent of total assessed value.

**TABLE 12
ELIZABETHTOWN AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

<u>Owner</u>	<u>2023-24 Assessed Value</u>
Nordstrom Inc.	\$36,650,600
Caribou 1499 Zeager Road LLC	15,964,600
Featherton Crossing LP	12,143,900
High Properties	11,170,700
Featherton Crossing LP	10,488,100
Crowe Realty LLC	9,951,500
Big Box Zeager B LLC	9,708,600
DG Conewago Property Owner LP	8,483,500
Shoemaker Properties LLC	8,203,500
Lone Wolf LLC	7,723,200
Totals	\$130,488,200

Source: School District officials.

Other Taxes

Under Act 511, the School District anticipates collecting \$6,176,396 in other taxes in 2022-23. Among the taxes authorized by Act 511, the School District currently levies the Real Estate Transfer Tax and the Earned Income Tax.

Earned Income Tax. The School District levies a tax of one-half percent on the earned income of residents. In 2022-23 the collected portion of this tax yielded \$5,090,718 or 6.4 percent of the School District's total revenue.

Real Estate Transfer. A tax of one-half percent of the value of real estate transfers yielded \$1,085,679 in 2022-23 or 1.4 percent of School District's total revenue.

COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (46.19%) or the wealth based Market Value Aid Ratio ("MVAR") currently (50.46%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

The School District estimates the Bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the Elizabethtown Area School District as of April 10, 2024, including the issuance of the Bonds.

**TABLE 13
ELIZABETHTOWN AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of April 10, 2024)***

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2024 (last maturity 2042)	\$15,000,000
General Obligation Bonds, Series of 2022 (last maturity 2039)	9,155,000
General Obligation Bonds, Series A of 2021 (last maturity 2039)	3,205,000
General Obligation Bonds, Series of 2021 (last maturity 2032)	4,910,000
General Obligation Bonds, Series A of 2020 (last maturity 2030)	6,695,000
General Obligation Bonds, Series of 2020 (last maturity 2030)	7,715,000
General Obligation Bonds, Series A of 2019 (last maturity 2043)	9,055,000
General Obligation Bonds, Series of 2019 (last maturity 2025)	<u>3,740,000</u>
TOTAL NONELECTORAL DEBT	<u>\$59,475,000</u>
LEASE RENTAL DEBT	
Lancaster County Career and Technology Center Series A of 2017 (last maturity 2037)	\$253,189
Lancaster County Career and Technology Center Series of 2020 (last maturity 2037)	<u>\$311,364</u>
TOTAL LEASE RENTAL DEBT	564,553
TOTAL PRINCIPAL OF DIRECT DEBT	<u><u>\$60,039,553</u></u>

*Includes the estimated Bonds offered through this Preliminary Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$60,039,553. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$56,919,295.

TABLE 14
ELIZABETHTOWN AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of April 10, 2024)*

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt.....	\$59,475,000	\$56,354,742
Lease Rental Debt.....	564,553	564,553
TOTAL DIRECT DEBT	\$60,039,553	\$56,919,295
OVERLAPPING DEBT		
Lancaster County, General Obligation ⁽²⁾	\$10,069,315	\$10,069,315
Municipal Debt.....	22,189,700	22,189,700
TOTAL OVERLAPPING DEBT	\$32,259,015	\$32,259,015
TOTAL DIRECT AND OVERLAPPING DEBT	\$92,298,568	\$89,178,309
DEBT RATIOS		
Per Capita	\$2,900.37	\$2,802.32
Percent 2022-23 Assessed Value	4.04%	3.90%
Percent 2022-23 Market Value	4.05%	3.91%

*Includes the estimated Bonds offered through this Preliminary Official Statement.

⁽¹⁾The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by Commonwealth sources.

⁽²⁾Pro rata 5.05 percent share of \$199,240,000.00 principal amount outstanding.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2020-21.....	\$68,104,101
Total Revenues for 2021-22.....	70,160,312
Total Revenues for 2022-23.....	<u>76,839,041</u>
 Total.....	 <u>\$215,103,453</u>
 Annual Arithmetic Average (Borrowing Base)	 \$71,701,151

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit:			
225% of Borrowing Base.....	\$161,327,590	\$60,039,553	\$101,288,036

*Includes the estimated Bonds described herein; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

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Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 15
ELIZABETHTOWN AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS⁽¹⁾**

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Principal</u>	<u>Series of 2024 Interest</u>	<u>Subtotal</u>	<u>Total Requirements</u>
2023-24	\$4,571,854				
2024-25	4,683,335				
2025-26	4,784,913				
2026-27	3,626,538				
2027-28	3,619,275				
2028-29	3,618,813				
2029-30	3,622,138				
2030-31	3,453,900				
2031-32	3,073,450				
2032-33	2,996,900				
2033-34	2,473,275				
2034-35	2,476,825				
2035-36	2,475,700				
2036-37	2,474,650				
2037-38	2,476,850				
2038-39	2,477,250				
2039-40	2,475,800				
2040-41	977,600				
2041-42	977,900				
2042-43	976,800				
2043-44	979,200				
Total	\$59,292,964				

⁽¹⁾Totals may not add due to rounding.

**TABLE 16
ELIZABETHTOWN AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY COMMONWEALTH AID***

2022-23 Commonwealth Aid Received.....	\$22,050,129
2022-23 Debt Service Requirements	\$4,597,878
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2022-23 Debt Service Requirements	4.80 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	times

*Assumes current Commonwealth Aid Ratio. See "COMMONWEALTH AID TO SCHOOL DISTRICTS."

Future Financing

The School District does not anticipate issuing additional long-term (non-refunding) debt in the next 1-2 years.

LABOR RELATIONS

School District Employees

There are presently 476 employees of the School District, including 278 professional employees who are teachers, 24 administrators and 174 full-time and part-time employees who are support personnel including secretaries, maintenance/custodial staff, cafeteria staff and teachers' aides.

The School District's teachers are represented by the Elizabethtown Area Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District which expires on June 30, 2025. The School District believes its current labor relations with unionized personnel are good.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administered by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.9% for the fiscal year 2024-25.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transition rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions, net of reimbursement, have been as follows:

2019-20	\$4,731,403
2020-21	\$4,849,239
2021-22	\$4,933,644
2022-23	\$4,941,425
2023-24 (budgeted)	\$4,905,089

At June 30, 2023, the District reported a liability of \$85,227,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's reported proportion was .1917%, which was a decrease of .0299% from its proportion reported as of June 30, 2022.

As of June 30, 2023, the PSERS plan was 61.6% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. The Fund had plan net assets of \$72.8 billion at June 30, 2023. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits

The District's OPEB costs include benefits from both a Multiple Employer OPEB Plan as well as a Single Employer OPEB Plan.

The Multiple Employer OPEB Plan, known as the Health Insurance Premium Assistance Program, is provided by PSERS to all eligible retirees who qualify and elect to participate. At June 30, 2023, the District reported a liability of \$3,529,000 for its proportionate share of the net OPEB liability. The School District recognized OPEB expense of \$9,100 for June 30, 2023.

The Single Employer OPEB Plan, in accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until the age of 65. The District's total OPEB liability under the Single Employer OPEB Plan was \$2,461,010, measured as of July 1, 2022. The District recognized OPEB expense of \$185,687 for year ended June 30, 2023.

In June 2015, GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

For further information on the effects of GASB Statement No.75, the School District's OPEB and other vested employee benefits, including valuation and sick pay, see "Appendix D – Audited Financial Statements".

NO LITIGATION CERTIFICATE

At the time of settlement, the President or Vice-President of the Board of School Directors of the School District will deliver a certificate dated as of the date of delivery of and payment for the Bonds, certifying that there is no litigation pending which challenges the validity or enforceability of the Bonds and there is no litigation pending which would materially affect the School District's financial condition; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District, to the effect that such litigation is without legal merit.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, is the right of holders of the Bonds to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

BONDHOLDER CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Preliminary Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Preliminary Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds, and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Preliminary Official Statement inclusive of its Appendices.

Cybersecurity

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and

functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

Coronavirus Pandemic

The 2019 Novel Coronavirus (COVID-19) global pandemic (the Pandemic) was a lifetime event that had impacted every state of the United States including the Commonwealth of Pennsylvania. The Commonwealth had responded aggressively to slow and impede the spread of COVID-19, with the cooperation of all levels of government including all school districts. The Commonwealth's and local governments' actions had proven to be an essential and effective measure to reduce the spread of COVID-19.

In accordance with Orders, guidance or recommendations issued by the Centers for Disease Control and Prevention (CDC), the Pennsylvania Governor, the Pennsylvania Department of Health, the Pennsylvania Department of Education, and local health professionals the School District adopted a Health & Safety Plan for school year 2020-2021, 2021-22, 2022-23 and 2023-24 (the Plan and collectively the Plans). The Plans were designed to take into account the health and safety of students, staff and others and aims to balance the educational imperative to open schools for in-person instruction with the public imperative to mitigate COVID-19 infection and transmission rates.

As a result of COVID-19, the School District had needed to include in its budget for fiscal years 2020-2021, 2021-2022, 2022-23 and 2023-24, expenditures to implement mitigation measures to minimize the risks of COVID-19. The categories of additional expenditures were described in the budgets and in part in the School District's Health and Safety Plans. Also the budgets had taken into account that the School District had received significant financial assistance from the federal government through multiple COVID-19 related relief bills passed by Congress, totaling approximately \$7,933,161. As of the date of this Official Statement, the School District's revenue sources have been adequate to support the School District's added expenditures for COVID-19. The future severity of the economic challenges and duration of this and other public health crisis cannot be fully known at this time.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriter or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See "TAX MATTERS" herein.

TAX MATTERS

Federal Tax Laws

Numerous provisions of the Internal Revenue Code of 1986, as amended (the "Code"), affect the issuers of state and local government unit bonds, such as the School District, and impair or restrict the ability of the School District to finance projects on a tax-exempt basis. Failure on the part of the School District to comply with any one or more of such provisions of the Code, or any regulations under the Code, could render interest on the Bonds includable in the gross income of the owners thereof for purposes of federal income tax retroactively to the date of issuance of the Bonds. Among these provisions are more restrictive rules relating to: (a) investment of funds treated as proceeds of the Bonds; (b) the prohibition on advance refunding of tax-exempt bonds; and (c) the use of proceeds of the Bonds to benefit private activities. In addition, under the Code, the School District is required to file an information return with respect to the Bonds and, if applicable, to "rebate" to the federal government certain arbitrage profits on an ongoing basis throughout the term of the issue constituting the Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Other provisions of the Code affect the purchasers and holders of certain state and local government bonds such as the Bonds. Prospective purchasers of the Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on (a) indebtedness incurred or continued to purchase or carry certain state or local government bonds, such as the Bonds, or, (b) in the case of a financial institution, that portion of a financial institution's interest expense allocated to interest on certain state or local government bonds, such as the Bonds, unless the issuer of the state or local government bonds designates the bonds as "qualified tax-exempt obligations" for the purpose and effect contemplated by Section 265(b)(3)(B) of the Code (the School District has designated the Bonds as "qualified tax exempt obligations" under Section 265(b)(3)(B) of the Code, as such phrase is defined in the Code); (ii) with respect to insurance

companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(1) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest and amounts treated as such on certain state or local government bonds, such as the Bonds; (iii) interest on certain state or local government bonds, such as the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) if a Subchapter S corporation has passive investment income (which passive investment income will include interest on state and local government bonds such as the Bonds) exceeding 25% of such Subchapter S corporation's gross receipts and if such Subchapter S corporation has Subchapter "C" earnings and profits, then interest income derived from state and local government bonds, such as the Bonds, may be subject to federal income tax under Section 1375 of the Code; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on certain state or local government bonds such as the Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Various legislative proposals have been submitted to Congress during the last several years, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax exempt interest. If enacted into law, such proposals may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds.

No prediction is made whether these provisions will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Bonds. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed. Bond Counsel has no obligation to provide updated information concerning pending or future legislation. The School District does not have any obligation to provide updated information concerning pending or future legislation. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds.

Tax Exemption

In the opinion of Bond Counsel, assuming continuing compliance by the School District with certain certifications and agreements relating to the use of Bond proceeds and covenants to comply with provisions of the Code and any applicable regulations thereunder, now or hereafter enacted, interest on the Bonds is not includable in the gross income of the holders of the Bonds under Section 103(a) of the Code and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes on individuals and corporations; however interest on the Bonds may be subject to the federal alternative minimum tax on "applicable corporations" as defined in Section 59(k) of the Code for tax years beginning after December 31, 2022. Other provisions of the Code will affect certain purchasers and holders of the Bonds. See "Federal Tax Laws" above.

The School District has **not** designated and determined under and for purposes of Section 265(b)(3)(B) of the Code to qualify each of the Bonds as a "qualified tax-exempt obligation" as such phrase is defined in the Code.

In the opinion of Bond Counsel under the laws of the Commonwealth, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption shall not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania. The residence of a holder of a Bond in a state or jurisdiction other than Pennsylvania, or being subject to tax in a state or jurisdiction other than Pennsylvania, may result in income and other tax liabilities being imposed by such state or jurisdiction or its political subdivisions, as applicable, based on the interest or other income from the Bonds.

The School District will issue its certificate regarding the facts, estimates and circumstances in existence on the date of delivery of the Bonds and regarding the anticipated use of the proceeds of the Bonds. The School District will certify that, on the basis of the facts, estimates and circumstances in existence on the date of issuance of the Bonds, the School District does not reasonably expect to use the proceeds of the Bonds in a manner that would cause the Bonds to be or become "arbitrage bonds" or "private activity bonds" as those terms are defined in Section 148 and Section 141 of the Code.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS. ANY STATEMENTS REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

Regulations, Future Legislation

Under the provisions of the Code, the Treasury Department is authorized and empowered to promulgate regulations implementing the intent of Congress under the Code, which could affect the tax-exemption and/or tax consequences of holding tax-exemption obligation, such as the Bonds. In addition, legislation may be introduced and enacted in the future which could change the provisions of the Code relating to tax-exempt bonds of a state or local government unit, such as the School District, or the taxability of interest in general.

No representation is made or can be made by the School District, or any other party associated with the issuance of the Bonds as to whether or not any other legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to federal income taxes or so as to otherwise affect the marketability or market value of the Bonds.

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined “obligated persons”) with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

Fiscal Year	Filing	Filing Dates:		
		Audit	Operating Data	Budget
6/30/2023	3/26/2024	3/25/2024	3/26/2024	3/26/2024
6/30/2022	3/27/2023	12/12/2022	12/12/2022	12/12/2022
6/30/2021	2/25/2022	12/01/2021	12/01/2021	12/01/2021
6/30/2020	2/25/2021	12/10/2020	12/10/2020	12/10/2020
6/30/2019	12/27/2019	12/10/2019	1/02/2020	12/24/2019

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements. The School District engaged the services of Raymond James & Associates, Inc., as Dissemination Agent in order to assist the School District to facilitate future ongoing compliance with the School District’s continuing disclosure undertakings in accordance with the Rule.

RATING

Moody's Investor's Service, Inc. which has assigned an underlying bond rating of "Aa3" to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investor's Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc., Lancaster, Pennsylvania (the "Underwriter") subject to certain conditions, has purchased the Bonds from the School District at a purchase price of \$_____ (representing the par amount of the Bonds of \$_____, plus an original issue premium of \$_____, less an underwriting discount of \$_____). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds on the Delivery Date if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the School District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

LEGAL OPINION

The Bonds are offered subject to the receipt of the unqualified approving legal opinion of Saxton & Stump, Bond Counsel of Lancaster, Pennsylvania. Certain other legal matters will be passed upon for the School District by Saxton & Stump of Lancaster, Pennsylvania, School District Solicitor and by McNees Wallace & Nurick LLC of Harrisburg, Pennsylvania as Limited Scope Underwriter's Counsel.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The School District has authorized the distribution of this Preliminary Official Statement.

ELIZABETHTOWN AREA SCHOOL DISTRICT
Lancaster County, Pennsylvania

By: _____
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Elizabethtown Area School District

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Population

Table A-1, which follows, shows recent population trends for the School District, Lancaster County and the Commonwealth of Pennsylvania (the “Commonwealth”). Table A-2 shows 2020 age composition and average number of persons per household in Lancaster County and for the State. Average household size for Lancaster County was higher than the Statewide average.

**TABLE A-1
RECENT POPULATION TRENDS**

Geographic Area	Census: 2010 Number	Census: 2020 Number	Change: 2010-2020 Number	Percent
<i>School District</i>	30,068	31,823	1,755	0.57%
Lancaster County.....	519,445	552,984	33,539	0.63%
Pennsylvania.....	12,702,379	13,002,700	300,321	0.23%

Source: U.S. Census Bureau, Census 2010 & 2020 Redistricting Data (Public Law 94-171) Summary File and the Pennsylvania State Data Center.

**TABLE A-2
AGE COMPOSITION**

	0-17 <u>Years</u>	18-64 <u>Years</u>	65+ <u>Years</u>	Persons Per <u>Household</u>
Lancaster County	23.54%	58.47%	17.99%	2.61
Pennsylvania	20.71%	61.04%	18.25%	2.42

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

Employment

Overall employment data are not compiled for the School District or municipalities within it, but such data are compiled for the Lancaster County and the Lancaster Metropolitan Statistical Labor Market Area (MSA). Table A-3 shows the distribution of employment in the MSA for January 2024. The School District is located within the MSA and most School District residents work within the MSA and the Harrisburg-Lebanon-Carlisle MSA, but outside School District boundaries.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
(LANCASTER METROPOLITAN STATISTICAL AREA)

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Jan 2024	Dec 2023	Nov 2023	Jan 2023	Dec 2023	Jan 2023
Total Nonfarm	260,300	265,800	266,200	258,100	-5,500	2,200
Total Private	241,100	245,900	246,000	239,300	-4,800	1,800
Goods Producing	55,600	56,700	56,700	57,100	-1,100	-1,500
Mining, Logging, and Construction	18,400	19,100	19,400	19,000	-700	-600
Manufacturing	37,200	37,600	37,300	38,100	-400	-900
Durable Goods	21,000	21,100	20,900	21,000	-100	0
Non-Durable Goods	16,200	16,500	16,400	17,100	-300	-900
Food mfg.	8,400	8,600	8,500	8,700	-200	-300
Service-Producing	204,700	209,100	209,500	201,000	-4,400	3,700
Private Service-Providing	185,500	189,200	189,300	182,200	-3,700	3,300
Trade, Transportation, and Utilities	59,100	61,100	60,500	59,600	-2,000	-500
Wholesale Trade	13,800	14,000	13,900	13,500	-200	300
Retail Trade	29,400	30,400	30,200	29,700	-1,000	-300
General merchandise stores	3,400	3,600	3,600	3,400	-200	0
Transportation, Warehousing, and Utilities	15,900	16,700	16,400	16,400	-800	-500
Information	2,700	2,700	2,700	2,700	0	0
Financial Activities	10,500	10,600	10,600	10,500	-100	0
Professional and Business Services	25,800	26,300	26,700	26,500	-500	-700
Education and Health Services	50,800	50,800	50,900	48,400	0	2,400
Health Care and Social Assistance	43,900	43,900	43,800	41,700	0	2,200
Hospitals	9,900	9,900	9,900	9,900	0	0
Leisure and Hospitality	23,900	25,000	25,100	22,200	-1,100	1,700
Accommodation and Food Services	19,800	20,400	20,500	18,600	-600	1,200
Food Services and Drinking Places	16,700	17,200	17,200	15,800	-500	900
Other Services	12,700	12,700	12,800	12,300	0	400
Government	19,200	19,900	20,200	18,800	-700	400
Federal Government	1,300	1,300	1,300	1,200	0	100
State Government	2,400	3,000	3,200	2,300	-600	100
Local Government	15,500	15,600	15,700	15,300	-100	200
Data benchmarked to March 2023	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

Table A-4 shows recent trends in labor force, employment and unemployment for Lancaster County and the Commonwealth. The unemployment rate for Lancaster County has been lower than the statewide average.

**TABLE A-4
TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024⁽¹⁾</u>	Compound Average Annual % Rate
<i>Lancaster County</i>							
Civilian Labor Force (000)	284.4	281.7	282.4	285.2	291.8	287.5	0.71%
Employment (000)	275.9	260.6	267.1	275.9	285.1	279.9	1.81%
Unemployment (000)	8.5	21.1	15.2	9.3	6.6	7.7	-20.74%
Unemployment Rate	3.0	7.5	5.4	3.3	2.3	2.7	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,471.00	6,388.00	6,325.00	6,479.00	6,485.00	6,504.00	0.30%
Employment (000)	6,228.00	5,808.00	5,902.00	6,196.00	6,296.00	6,276.00	1.63%
Unemployment (000)	243.0	580.0	423.0	283.0	189.0	229.0	-20.09%
Unemployment Rate	3.8	9.1	6.7	4.4	2.9	3.5	

(1)As of January 2024.

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

The larger employers located within or near the School District include:

<u>Name</u>
Lancaster General Hospital
Mutual Assistance Group
Giant Food Stores LLC
Eurofins Lancaster Laboratories Inc
County of Lancaster
Lancaster School District
Masonic Villages of the Grand Lodge
Lancaster General Medical Group
Dart Container Corporation
<u>Willow Valley Retirement Communities</u>

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

Income

The data on Table A-5 show recent trends in per capita income for Lancaster County, the Borough and Townships in the School District and Pennsylvania over the 2010-2020 period. Per capita income in the School District is lower than the average for the Commonwealth and the County, and increased at a faster rate than the County

**TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME***

	2010	2020	Compound Average Annual Percentage Change 2010-2020
School District.....	\$26,165	\$34,440	2.53%
Lancaster County	24,871	33,568	2.76%
Pennsylvania	26,374	35,518	2.74%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: 2020: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3) & 2010: U.S. Census Bureau, 2010-2020 American Community Survey.

Commercial Activity

Table A-6 shows retail sales over a recent five-year period for the County and the Commonwealth.

**TABLE A-6
TOTAL RETAIL SALES
(000)**

	2018	2019	2020	2021	2022
Lancaster MSA.....	\$7,063,102	\$7,020,494	\$7,688,708	\$8,607,309	\$8,820,147
Pennsylvania.....	199,975,257	198,215,135	207,887,941	213,005,476	188,389,810

Source: The Nielsen Company.

Educational Institutions

The County has a number of institutions of higher learning including: Elizabethtown College, a privately owned institution in Elizabethtown, which offers an undergraduate liberal arts education; Franklin and Marshall College, a coeducational liberal arts college in Lancaster; Millersville University, a Commonwealth-owned institution in Millersville; and the Lancaster campus of Harrisburg Area Community College. Also within commuting distance is the Penn State Capitol Campus.

Medical Facilities

While there are no medical facilities located within the School District, located within 20 miles of the School District are Lancaster General Hospital, St. Joseph's Hospital, Hershey Medical Center and Lancaster Community Hospital.

Transportation Facilities

All of Lancaster County's major highways converge on the City of Lancaster with the exception of the Pennsylvania Turnpike, which traverses the County in an east-west direction, 15 miles to the north. U.S. Route 30 crosses the Susquehanna River at Columbia, Pennsylvania, and meets Interstate Route 83 at York, Pennsylvania 23 miles west of Lancaster. Interstate Route 83 provides a route to Washington and Baltimore. U.S. Route 222 runs in a north-south direction and connects with Reading, Allentown and Easton, and intersects the Pennsylvania Turnpike approximately 15 miles north of the City of Lancaster. Other major highways include U.S. Route 283 connecting Lancaster to Harrisburg, and State Route 501, which intersects the area providing access to Allentown, Bethlehem and Easton via the northeast extension of the Pennsylvania Turnpike to the east, and Wilkes-Barre, Scranton and Binghamton, New York, via U.S. Route 81 to the north.

Utilities

The School District and Lancaster County have been furnished with electric energy and related services by PP&L Utilities since 1930. PP&L Utilities, the second largest electric utility in the state, services 902,148 customers throughout 10,000 square miles of central eastern Pennsylvania. PP&L Utilities and eleven neighboring electric utilities have formed the Pennsylvania/New Jersey/Maryland interconnection, which serves as a high capacity power pool fully integrating the generation and transmission systems of the participating utilities.

Natural gas is delivered to the School District by UGI Corporation; UGI has been in operation for more than eighty years and has over 356 miles of distribution mains in Lancaster County. Century Link (formerly Embarq) provides telephone service to the area.

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APPENDIX B
Opinion of Bond Counsel

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DRAFT

**ELIZABETHTOWN AREA SCHOOL DISTRICT
LANCASTER COUNTY, PENNSYLVANIA
\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2024**

OPINION

We have acted as Bond Counsel in connection with the issuance by the Elizabethtown Area School District, Lancaster County, Pennsylvania (the “School District”), of the \$ _____ General Obligation Bonds, Series of 2024 (the “Bonds”).

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), (“the Act”), without the assent of the electors, and pursuant to a resolution adopted by the Board of School Directors of the School District on April 30, 2024.
2. The Bonds are a valid and binding obligation of the School District.
3. The School District has established with the Paying Agent, as Sinking Fund Depositary, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.
4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the

“state aid intercept” provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,



SAXTON & STUMP, LLC

_____, 2024

APPENDIX C
Continuing Disclosure Certificate

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DRAFT

ELIZABETHTOWN AREA SCHOOL DISTRICT LANCASTER COUNTY, PENNSYLVANIA

\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2024
DATED, ISSUED AND DELIVERED _____, 2024

CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$ _____ General Obligation Bonds, Series of 2024 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of Elizabethtown Area School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

Section 1. Undertaking to file current information with MSRB. The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2024:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

b. An update of the following information in the Official Statement for the Bonds dated _____:

(i) Elizabethtown Area School District Tax Rates (Table 6) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(ii) Elizabethtown Area School District Real Property Assessment Data (Table 8) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(iii) Elizabethtown Area School District Real Property Tax Collection Data (Table 11) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

(iv) Elizabethtown Area School District Ten Largest Real Property Taxpayers (Table 12) (may be contained within the budget or audit for the current fiscal year without need for further cross reference);

Any or all of the items listed above may also be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 2. Modification of types of information and format of information permitted. The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

Section 3. Time period within which annual information must be filed. The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2024. Such information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

Section 4. Notice of failure to comply with annual information updates. The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

Section 5. Event disclosure. The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;

- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of any credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, IRS notices or material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the School District (which is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District);
- m. Merger, consolidation or acquisition involving the School District, if material; or
- n. Appointment of successor or additional trustee or the change of name of a trustee, if material.
- o. Incurrence of a financial obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the School District, any of which reflect financial difficulties.

For purposes of this Section, the term financial obligation shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 6. Termination of reporting obligation. The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

Section 7. Enforcement. The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

Section 8. Amendment; waiver. Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

Elizabethtown Area School District

By: _____
(Vice) President

Attest: _____
Secretary

(SEAL)

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APPENDIX D
Audited Financial Statement

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ELIZABETHTOWN AREA SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2023

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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 3
Management's Discussion and Analysis	4 - 14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to Financial Statements	26 - 68

CONTENTS (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	69
Note to Required Supplementary Information	70
Required Supplementary Information - Schedules of District's Proportionate Share of the Net Pension Liability - PSERS	71
Required Supplementary Information - Schedules of District's Pension Contributions - PSERS	72
Required Supplementary Information - Schedules of Changes in OPEB Liability and Related Ratios - District's Single Employer Plan	73
Required Supplementary Information - Schedules of District's Proportionate Share of the Net OPEB Liability - PSERS	74
Required Supplementary Information - Schedules of District's OPEB Contributions - PSERS	75
Combining Balance Sheet - Capital Projects Fund	76
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Capital Projects Fund	77
Combining Statement of Fiduciary Net Position - Custodial Fund	78
Combining Statement of Changes in Fiduciary Net Position - Custodial Fund	79

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80 - 81
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance as Required by the Uniform Guidance	82 - 84
Schedule of Findings and Questioned Costs	85 - 86
Schedule of Expenditures of Federal Awards	87 - 88
Notes to Schedule of Expenditures of Federal Awards	89
Summary Schedule of Prior Year's Audit Findings	90

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Elizabethtown Area School District
Elizabethtown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Elizabethtown Area School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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.

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 GAAS 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 GAAS 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 the 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 the 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 and the required supplementary information as listed in the Contents, 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 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 District's basic financial statements. The supplementary information as listed in the Contents and 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 supplementary information as listed in the Contents and Schedule of Expenditures of Federal Awards are 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 January 31, 2024, on our consideration of the 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 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Boyer & Ritten". The signature is written in a cursive, flowing style with a large, sweeping underline.

Camp Hill, Pennsylvania
January 31, 2024

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The discussion and analysis of the Elizabethtown Area School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements as a whole to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Overall expenditures and other financing use in the general fund for the 2022-2023 fiscal year were budgeted at \$73,040,069. Revenues and other financing sources in the general fund for the 2022-2023 fiscal year were budgeted at \$73,039,101 with an anticipated reduction in fund balance of \$968. At year end, actual expenditures and other financing uses were \$74,432,518 which is \$1,392,449 more than the budgeted amount. Actual revenues at year end were \$75,603,432 which is \$2,579,331 more than the budgeted amount. At year end, other financing sources are \$3,327,570, which is \$3,312,570 more than budget due to the sale of capital assets and proceeds from leases and other right to use. When compared to budget, the actual increase in expenditures and other financing uses versus the actual increase in revenue and other financing sources resulted in an actual growth in the fund balance of approximately \$4.5 Million.

Revenues and other financing sources were more than budget by about \$5.89 million or approximately 8.0% of the budgeted revenues. The real estate market, wage volatility, the Federal Reserve interest rate increases, and sale of capital assets were the primary influence on the local revenue variances. Local revenues were over budget by approximately \$1.2 million, due to two variations in budgeted revenues. The first local revenue surplus was associated with the very active real estate market in Elizabethtown Area School District like many areas across the state and country. This resulted in the sale of many properties, this resulted in the transfer real estate taxes over budget by about \$285,600. The real estate tax collection rate of 98.49% was the highest in more than 15 years and resulted in exceeding the budget by \$314,000. The Earned Income Tax (EIT) or wage taxes were over budget by \$440,717. Lancaster County Tax Collection Bureau (LCTCB) is the collector of these EIT funds for the District. The expectation was that these revenues would have moderate growth in 2022-2023, so the budgeted revenues associated with the wage taxes for 2022-2023 was \$4,650,000 versus the actual revenue of \$5,090,718 for 2022-2023. Continued growth in the labor market with low unemployment and continue wage increases resulted in growth for this revenue. Interest rates have been steadily increasing by the Federal Reserve. This has resulted in a positive growth in interest on investments, above budgeted expectations. The budget for Interest on Investments for 2022-2023 was \$130,000 versus the actual revenue of \$541,983 was an increase in actual revenue of \$411,983.

The budgetary surplus associated with state revenue was approximately \$976,305 increase over the 2021-2022 year and was associated with two areas, Basic Education Funding (BEF), of \$670,893 and Special Education Funding (SEF) of \$298,769.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Financial Highlights (Continued)

Expenditures and other financing uses were over budgeted by about \$1,392,400 or approximately 1.9% of the budgeted expenditures. The budget overage was driven by multiple factors, including total medical expenses. The District is self-funded for most of the medical expenses. There was about a 10% increase in net medical cost from 2021-2022 to 2022-2023. Cyber charter costs continue to rise. Throughout the 2022-2023 school year, the cyber charter enrollment was consistently 140 to 150 students. This enrollment resulted in cyber charter expenditures of approximately \$425,000 over budget. The final large account variation where expenses were over budget was unfunded special education mandates. These resulted in excess of \$700,000 of expense over budget.

Using this Annual Report

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Elizabethtown Area 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 District’s overall financial status.

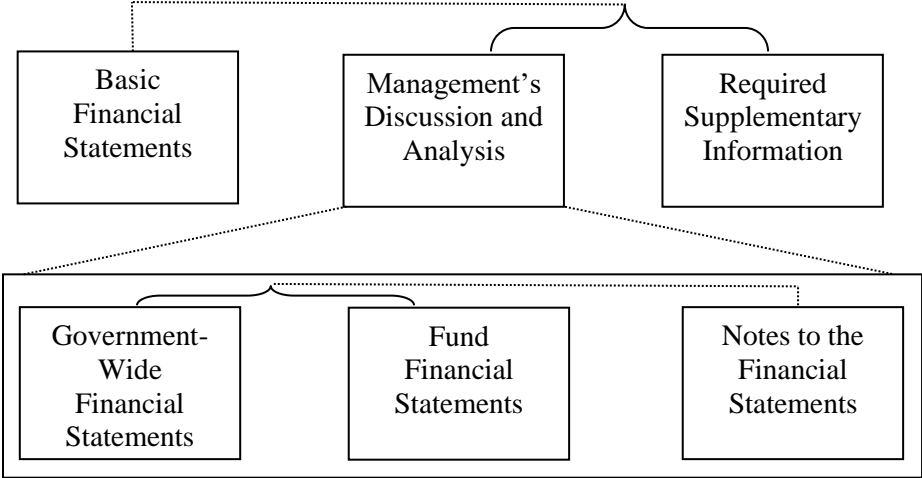
The remaining statements are fund financial statements that focus on individual parts of the District’s operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial report are arranged and relate to one another.

**Figure A-1
Required Components of Elizabethtown Area School District’s Financial Report**



**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Using this Annual Report (Continued)

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of Elizabethtown Area School District’s Government-Wide and Fund Financial Statements				
		Fund Statements		
	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Fund
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the District operates similar to private business - food service and internal services funds	Instances in which the District accounts for someone else’s resources - the custodial fund, which is comprised of scholarship and student activities
Required financial statements	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows	Statement of Net Position and Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows, and liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows, and liabilities and deferred inflows, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, the reader needs to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities - All of the District's basic services are included here, such as instruction, administration, and community services. Property taxes, state and federal subsidies, and grants finance most of these activities.
- Business-type activities - The District operates a food service operation and charges fees to staff, students, and visitors to help cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, which begin on page 17, provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

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

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Overview of Financial Statements (Continued)

Fund Financial Statements (Continued)

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

The District's other proprietary fund is the internal service fund. This fund is used to facilitate the payments of actual claims incurred by the District's self-funded medical plan. The District contracts with a third-party administrator to process all claims and notify the District on a weekly basis of the dollar amount of claims that are to be paid.

Fiduciary fund - The District accounts for some scholarship and student activity transactions. With the implementation of GASB 84, Fiduciary Activities, the District fiduciary fund now includes a custodial fund, replacing the private purpose trust and student activities funds. This custodial fund is comprised of multiple scholarship funds and a student activity fund. The District's fiduciary activities are reported in separate statements of net position and changes in net position - fiduciary funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Financial Analysis of the District as a Whole

The District's total net position for governmental activities was \$(47,177,852) as of June 30, 2023. The negative unrestricted net position is due to GASB 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of \$84,375,000 net pension liability at June 30, 2023, and significant footnote disclosure found in Note 11.

**Table A-1
Fiscal Years Ended June 30, 2023 and 2022
Net Position**

	2023			2022		
	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District
Assets						
Current and other assets	\$ 33,900,610	\$ 735,771	\$ 34,636,381	\$ 29,081,229	\$ 607,487	\$ 29,688,716
Capital assets and other non-current assets	63,610,261	29,352	63,639,613	68,774,221	-	68,774,221
Total assets	\$ 97,510,871	\$ 765,123	\$ 98,275,994	\$ 97,855,450	\$ 607,487	\$ 98,462,937
Deferred outflows of resources	\$ 26,942,760	\$ 263,452	\$ 27,206,212	\$ 34,908,147	\$ 341,922	\$ 35,250,069
Liabilities						
Current and other liabilities	\$ 12,168,410	\$ 68,555	\$ 12,236,965	\$ 11,683,199	\$ 86,383	\$ 11,769,582
Long-term liabilities	139,175,288	894,227	140,069,515	149,672,151	968,406	150,640,557
Total liabilities	\$ 151,343,698	\$ 962,782	\$ 152,306,480	\$ 161,355,350	\$ 1,054,789	\$ 162,410,139
Deferred inflows of resources	\$ 20,287,785	\$ 186,310	\$ 20,474,095	\$ 24,621,253	\$ 234,650	\$ 24,855,903
Net Position						
Net Investment in capital assets	\$ 13,260,465	\$ 29,352	\$ 13,289,817	\$ 24,216,785	\$ -	\$ 24,216,785
Restricted	8,610,819	-	8,610,819	3,298,226	-	3,298,226
Unrestricted deficit	(69,049,136)	(149,869)	(69,199,005)	(80,728,017)	(340,030)	(81,068,047)
Total net deficit	\$ (47,177,852)	\$ (120,517)	\$ (47,298,369)	\$ (53,213,006)	\$ (340,030)	\$ (53,553,036)

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The deferred inflows and outflows of resources are discussed in Note 1 to the financial statements. The negative unrestricted net position is due to the requirement of the District to report its proportionate share of the PSERS net pension liability as defined in GASB Statement No. 68. Note 11 of these financial statements further explains the defined benefit pension plan.

The results of this year's operations as a whole are reported in the statement of activities on pages 15 and 16. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues.

The two largest general revenues are the local real estate taxes assessed to community taxpayers and basic education subsidy provided by the State of Pennsylvania.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Financial Analysis of the District as a Whole (Continued)

Table A-2 takes the information from the statement of activities and rearranges it slightly so that you can see the total revenues for the year.

**Table A-2
Fiscal Years Ended June 30, 2023 and 2022
Changes in Net Position**

	2023			2022		
	Governmental Activities	Business-Type Activities	Total District	Governmental Activities	Business-Type Activities	Total School District
Revenues:						
Program Revenues						
Charges for Services	\$ 736,088	\$ 712,571	\$ 1,448,659	\$ 551,660	\$ 207,934	\$ 759,594
Operating Grants and Contributions	14,320,329	1,299,298	15,619,627	13,434,769	1,977,692	15,412,461
General Revenue						
Property Taxes	42,524,708	-	42,524,708	41,014,564	-	41,014,564
Other Taxes	6,218,951	-	6,218,951	6,108,828	-	6,108,828
Unrestricted grants and subsidies	11,125,279	-	11,125,279	9,943,217	-	9,943,217
Unrestricted contributions	-	-	-	-	-	-
Unrestricted Investment Earnings	689,793	10,591	700,384	118,078	835	118,913
Gain on sale of capital assets	606,671	-	606,671	-	-	-
Miscellaneous income	243,318	-	243,318	200,421	-	200,421
Total Revenues	76,465,137	2,022,460	78,487,597	71,371,537	2,186,461	73,557,998
Expenses						
Instructional Programs	48,063,684	-	48,063,684	45,900,085	-	45,900,085
Instructional Student Support	5,151,783	-	5,151,783	5,013,592	-	5,013,592
Administrative, Financial, and Central Support Services	6,629,765	-	6,629,765	7,544,127	-	7,544,127
Operation and maintenance of Plant Services	5,460,361	-	5,460,361	5,611,844	-	5,611,844
Pupil Transportation	2,807,114	-	2,807,114	2,477,761	-	2,477,761
Student Activities	1,250,941	-	1,250,941	1,190,858	-	1,190,858
Community Services	14,304	-	14,304	5,144	-	5,144
Interest on long-term debt	1,052,031	-	1,052,031	1,475,232	-	1,475,232
Food Services	-	1,802,947	1,802,947	-	1,157,698	1,157,698
Total Expenses	70,429,983	1,802,947	72,232,930	69,218,643	1,157,698	70,376,341
Increase (Decrease) in Net Position	\$ 6,035,154	\$ 219,513	\$ 6,254,667	\$ 2,152,894	\$ 1,028,763	\$ 3,181,657

For the year ended June 30, 2023, government wide revenues increased by \$5,093,600 most of this was due to an increase of approximately \$1,620,267 in property taxes and real estate transfer taxes, and an increase in investment earnings and grants and subsidies of \$2,639,337. For the year ended June 30, 2022, government wide expenses decreased by \$1,211,340 most impacted by the reduction in Financial and Central Support Services.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Financial Analysis of the District as a Whole (Continued)

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, financial, and central support services, operation and maintenance of plant services, pupil transportation, student activities, community services, and interest on long-term debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants and subsidies to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3
Fiscal Years Ended June 30, 2023 and 2022
Governmental Activities**

	<u>2023</u>		<u>2022</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional Programs	\$ 48,063,684	\$ 36,648,866	\$ 45,900,085	\$ 35,743,324
Instructional student support	5,151,783	4,249,701	5,013,592	4,221,576
Administrative, Financial and Central Support Services	6,629,765	5,589,176	7,544,127	6,230,652
Operation and maintenance of plant services	5,460,361	5,119,903	5,611,844	5,241,237
Pupil transportation	2,807,114	1,849,152	2,477,761	1,545,797
Student activities	1,250,941	959,425	1,190,858	925,447
Community services	14,304	9,187	5,144	5,144
Interest on long-term debt	1,052,031	948,156	1,475,232	1,319,037
Total Governmental Activities	\$ 70,429,983	\$ 55,373,566	\$ 69,218,643	\$ 55,232,214
Unrestricted Grants and Subsidies		(11,125,279)		(9,943,217)
Total needs from taxes and other local sources		\$ 44,248,287		\$ 45,288,997

Table A-4 reflects the activities of the food service program, the only business-type activity of the District.

**Table A-4
Fiscal Years Ended June 30, 2023 and 2022
Business-Type Activities**

	<u>2023</u>		<u>2022</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food service	\$ 1,802,947	\$ (208,922)	\$ 1,157,698	\$ (1,027,928)

The statement of revenues, expenses, and changes in net position for this proprietary fund will further detail the actual results of operations.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The District Funds

As of June 30, 2023, the District’s governmental funds reported a combined fund balance of \$24,907,446, which is an increase of \$4,864,783 over the previous year. The primary reason for this change is explained below:

The general fund balance increased as a result of the sale of Mill Road and Rheems schools, increased federal and state funding, and the local economy outperforming expectations in the measurement of real estate taxes, wage taxes, real estate transfer, and delinquent real estate taxes.

General Fund Budget

During the fiscal year, the Board of School Directors (Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule, showing the District’s original and final budget amounts compared with amounts actually paid and received, is provided on page 69.

Transfers between specific categories of expenditures and financing uses occur during the year. The transfers occur from expenditure categories that were underspent to expenditure categories that were overspent.

The budgetary reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements and enhancements to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

Capital Assets and Debt Administration

Capital Assets - Governmental Activities

**Table A-5
Governmental Activities
Capital Assets (Net of Depreciation/Amortization)**

	2023	2022
Governmental Activities:		
Land and land improvements	\$ 3,724,806	\$ 4,125,149
Building and building improvements	55,781,735	62,027,199
Furniture and equipment	2,717,929	2,485,761
Vehicles	263,883	136,112
Right-to-use leased equipment	210,049	-
Right-to-use subscription assets	471,060	-
Construction in progress (CIP)	440,799	-
	\$ 63,610,261	\$ 68,774,221

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Debt Administration

As of July 1, 2022, the District had a total outstanding bond principal of \$50,830,000. During the year, the District decreased the principal in the amount of \$3,065,000. Current year debt service activity resulted in an ending outstanding debt as of June 30, 2023, of \$47,765,000.

**Table A-6
Outstanding Debt**

Issue:	<u>2023</u>	<u>2022</u>
Series of 2019	4,820,000	5,770,000
Series of 2019A	9,060,000	9,065,000
Series of 2020	8,930,000	9,485,000
Series of 2020A	6,745,000	7,490,000
Series of 2021	5,000,000	5,100,000
Series of 2021A	3,775,000	4,315,000
Series of 2022	9,435,000	9,605,000
	<u>\$ 47,765,000</u>	<u>\$ 50,830,000</u>

More detailed information about our long-term debt is included in Note 10 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The District’s general obligation bond rating is a Moody’s Aa3 (assigned January 6, 2022). This Aa3 has been a consistent rating for the District for many years. The Aa3 rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. When assigning its rating, Moody’s cited the District’s satisfactory financial position with reserves that have been markedly stable over the past several years. The rating further reflects our expectation of continued financial stability in the near term despite any coronavirus-related concerns, given annual property tax increases and modest reliance on earned income tax. The District’s moderately-sized tax base has a good amount of new development currently underway and is characterized by average resident wealth and income levels. Additionally, the rating considers the District’s somewhat elevated debt burden and manageable pension liability.

The District does not expect a significant growth in student population. Despite a good amount of available land, current zoning ordinances discourage residential development. Increases in assessed values have been relatively low in recent years, primarily as a result of the District being a residential community with few large employers and some properties that qualify as exempt or for preferential assessment under the Clean and Green Act. The District is authorized by the Local Economic Revitalization Tax Assistance Act (LERTA) to provide tax exemption for new construction in deteriorated areas of economically depressed communities and for improvements to certain deteriorated industrial, commercial, and other business properties to encourage development and job growth within the District.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Economic Factors and Next Year’s Budgets and Rates (Continued)

The wage tax shows a steady annual increase that generally reflects increases at or slightly above the CPI, an indication that employment opportunities are available for residents of our District. This growth continued through the 2022-2023 budget year despite the COVID-19 challenges and resulted in EIT revenues exceeding the budget by approximately \$440,717. This wage tax is projected to continue to grow through 2023-2024.

The comparison of revenue and expenditure categories is as follows:

**Table A-7
Budgeted Revenues**

	2023-2024	2022-2023
Local sources	67.8%	67.9%
State sources	28.9%	28.8%
Federal sources	3.3%	3.3%

Budgeted Expenditures

	2023-2024	2022-2023
Instruction	59.0%	65.2%
Support services	24.4%	25.6%
Athletic and extracurricular	1.5%	1.7%
Facilities	8.3%	0.0%
Fund transfers/debt	6.8%	7.5%

The District anticipates increased costs for 2023-2024 related to continued higher utilization of cyber charter schools by some families in the District, increased benefit and technology costs. Additionally, the District anticipates facility renovations associated with the high school and middle school complex four to six years from now. The District assigned fund balance at June 30, 2023, of \$2,600,000 for facility improvements, \$2,600,000 for health fund and technology, and \$700,000 for increased cyber charter school expenses.

Contacting the District Business Administrator

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District’s finances and to show the Board’s accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Tom Strickler, Chief Finance and Operations Officer, Elizabethtown Area School District, 600 East High Street, Elizabethtown, PA 17022.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 28,754,215	\$ 684,763	\$ 29,438,978
Taxes receivable, net	1,343,256	-	1,343,256
Internal balances	4,333	(4,333)	-
Due from other governments	3,090,212	3,256	3,093,468
Other receivables	352,249	-	352,249
Inventories	109,300	52,085	161,385
Prepaid expenses	247,045	-	247,045
Total current assets	33,900,610	735,771	34,636,381
Capital Assets			
Land and construction-in-progress	1,466,012	-	1,466,012
Other capital assets, net of depreciation/amortization	62,144,249	29,352	62,173,601
Total capital assets	63,610,261	29,352	63,639,613
Total assets	\$ 97,510,871	\$ 765,123	\$ 98,275,994
Deferred Outflows of Resources			
Pension	\$ 24,048,000	\$ 243,000	\$ 24,291,000
Other postemployment benefits	2,894,760	20,452	2,915,212
Total deferred outflows of resources	\$ 26,942,760	\$ 263,452	\$ 27,206,212
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,014,007	\$ 7,440	\$ 1,021,447
Current portion of long-term debt	3,407,004	-	3,407,004
Accrued salaries and benefits	6,022,675	2,470	6,025,145
Accrued interest on long-term debt	273,157	-	273,157
Payroll deductions and withholdings	261,980	-	261,980
Unearned revenues	110,576	58,645	169,221
Due to other governments	340,438	-	340,438
Other current liabilities	738,573	-	738,573
Total current liabilities	12,168,410	68,555	12,236,965
Noncurrent Liabilities			
Long-term portion of bonds payable, net of unamortized premiums and discounts	46,140,501	-	46,140,501
Long-term portion of compensated absences	2,149,714	-	2,149,714
Long-term portion of lease payable	169,665	-	169,665
Long-term portion of subscription liability	392,625	-	392,625
Net pension liability	84,375,000	852,000	85,227,000
Net other postemployment benefit liabilities	5,947,783	42,227	5,990,010
Total long-term liabilities	139,175,288	894,227	140,069,515
Total liabilities	\$ 151,343,698	\$ 962,782	\$ 152,306,480
Deferred Inflows of Resources			
Gain on bonding refunding, net of accumulated amortization	\$ 338,884	\$ -	\$ 338,884
Pension	15,082,000	152,000	15,234,000
Other postemployment benefits	4,866,901	34,310	4,901,211
Total deferred inflows of resources	\$ 20,287,785	\$ 186,310	\$ 20,474,095
Net Position (Deficit)			
Net investment in capital assets	\$ 13,260,465	\$ 29,352	\$ 13,289,817
Restricted			
Capital Projects	8,610,819	-	8,610,819
Unrestricted deficit	(69,049,136)	(149,869)	(69,199,005)
Total net position	\$ (47,177,852)	\$ (120,517)	\$ (47,298,369)

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 48,063,684	\$ 528,837	\$ 10,885,981	\$ -	\$ (36,648,866)	\$ -	\$ (36,648,866)
Instructional student support	5,151,783	-	902,082	-	(4,249,701)	-	(4,249,701)
Administrative, financial and central support services	6,629,765	-	1,040,589	-	(5,589,176)	-	(5,589,176)
Operation and maintenance of plant services	5,460,361	36,806	303,652	-	(5,119,903)	-	(5,119,903)
Pupil transportation	2,807,114	-	957,962	-	(1,849,152)	-	(1,849,152)
Student activities	1,250,941	170,445	121,071	-	(959,425)	-	(959,425)
Community services	14,304	-	5,117	-	(9,187)	-	(9,187)
Interest on long-term debt	1,052,031	-	103,875	-	(948,156)	-	(948,156)
Total governmental activities	70,429,983	736,088	14,320,329	-	(55,373,566)	-	(55,373,566)
Business-Type Activities:							
Food Service	1,802,947	712,571	1,299,298	-	-	208,922	208,922
Total primary government	\$ 72,232,930	\$ 1,448,659	\$ 15,619,627	\$ -	\$ (55,373,566)	\$ 208,922	\$ (55,164,644)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 42,524,708	\$ -	\$ 42,524,708
Public utility realty, earned income, and other taxes levied for general purposes, net					6,218,951	-	6,218,951
Unrestricted grants and subsidies					11,125,279	-	11,125,279
Investment earnings					689,793	10,591	700,384
Gain on sale of capital assets					606,671	-	606,671
Miscellaneous income					243,318	-	243,318
Total general revenues					61,408,720	10,591	61,419,311
Changes in net position					6,035,154	219,513	6,254,667
Net Position - July 1, 2022					(53,213,006)	(340,030)	(53,553,036)
Net Position - June 30, 2023					\$ (47,177,852)	\$ (120,517)	\$ (47,298,369)

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	Major Funds			
	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 20,076,145	\$ 8,261,979	\$ -	\$ 28,338,124
Taxes receivable, net	1,343,256	-	-	1,343,256
Due from other funds	3,675	599,491	-	603,166
Due from other governments	3,090,212	-	-	3,090,212
Interfund advances receivable	658	-	-	658
Other receivables	56,526	-	-	56,526
Prepaid expenses	48,005	-	-	48,005
Inventories	109,300	-	-	109,300
Total assets	\$ 24,727,777	\$ 8,861,470	\$ -	\$ 33,589,247
Liabilities				
Accounts payable	\$ 774,006	\$ 240,001	\$ -	\$ 1,014,007
Due to other funds	588,841	10,650	-	599,491
Accrued salaries and benefits	6,022,675	-	-	6,022,675
Payroll deductions and withholdings	261,980	-	-	261,980
Payable to other governments	340,438	-	-	340,438
Unearned revenues	110,576	-	-	110,576
Total liabilities	8,098,516	250,651	-	8,349,167
Deferred Inflows of Resources				
Delinquent taxes	332,634	-	-	332,634
Fund Balances				
Nonspendable	157,305	-	-	157,305
Restricted	-	8,610,819	-	8,610,819
Committed	8,700,000	-	-	8,700,000
Assigned	5,900,000	-	-	5,900,000
Unassigned	1,539,322	-	-	1,539,322
Total fund balances	16,296,627	8,610,819	-	24,907,446
Total liabilities, deferred inflows of resources and fund balances	\$ 24,727,777	\$ 8,861,470	\$ -	\$ 33,589,247

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023**

Total fund balances - governmental funds		\$ 24,907,446
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$111,626,413 and the accumulated depreciation is \$48,016,152.</p>		63,610,261
<p>Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.</p>		172,280
<p>Property taxes are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>		332,635
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Bonds payable	(47,765,000)	
Accrued interest on long-term debt	(273,157)	
Bonds premium, net of amortization	(1,665,501)	
Lease payable	(215,007)	
Subscription liability	(464,287)	
Compensated Absences	(2,149,714)	
Net other postemployment benefits (OPEB) liabilities	(5,947,783)	
Net pension liability	<u>(84,375,000)</u>	(142,855,449)
<p>Deferred outflows of resources - pension and OPEB are not due and payable in the current period and, therefore, are not reported in the funds.</p>		26,942,760
<p>Deferred inflows of resources - pension, OPEB, and refinancing gain are not due and collectable in the current period and, therefore, are not reported in the funds.</p>		<u>(20,287,785)</u>
Total net deficit - governmental activities		<u>\$ (47,177,852)</u>

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	Major Funds			Totals Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
Revenues				
Local sources				
Real estate taxes	\$ 42,461,576	\$ -	\$ -	\$ 42,461,576
Other taxes	6,218,951	-	-	6,218,951
Investment earnings	541,983	147,809	-	689,792
Other revenue	2,026,937	-	-	2,026,937
Total local sources	51,249,447	147,809	-	51,397,256
State sources	22,050,129	-	-	22,050,129
Federal sources	2,303,856	-	-	2,303,856
Total revenues	75,603,432	147,809	-	75,751,241
Expenditures				
Instructional services	47,080,452	-	-	47,080,452
Support services	20,251,878	182,466	-	20,434,344
Noninstructional services	1,231,387	-	-	1,231,387
Capital outlay	219,078	534,705	-	753,783
Debt service	127,983	-	4,469,895	4,597,878
Total expenditures	68,910,778	717,171	4,469,895	74,097,844
Excess (deficiency) of revenues over expenditures	6,692,654	(569,362)	(4,469,895)	1,653,397
Other Financing Sources (Uses)				
Transfers in (out)	(5,405,556)	935,661	4,469,895	-
Refund of prior year receipts	(116,184)	-	-	(116,184)
Refund of prior years expenditures	44,093	-	-	44,093
Proceeds on sale of capital assets	2,866,662	-	-	2,866,662
Proceeds from leases and other right to use arrangement	416,815	-	-	416,815
Total other financing sources (uses)	(2,194,170)	935,661	4,469,895	3,211,386
Net changes in fund balances	4,498,484	366,299	-	4,864,783
Fund Balances:				
July 1, 2022	11,798,143	8,244,520	-	20,042,663
June 30, 2023	\$ 16,296,627	\$ 8,610,819	\$ -	\$ 24,907,446

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023

Net changes in fund balances - total governmental funds	\$ 4,864,783
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation/amortization exceed capital outlays in the period is as follows:	
Capital outlays	1,718,548
Depreciation/amortization expense	(5,001,500) (3,282,952)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.	(2,259,990)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues increased by this amount this year.	63,133
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 expenditures in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here.	22,782
The change in net position in the Internal Service Fund is reported within governmental activities.	(274,524)
Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.	
District pension and OPEB contributions (PSERS)	10,239,000
Cost of benefits earned net of employee contributions (PSERS)	(5,856,500)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(537,094)
Other post-employment benefits (District Plan)	(49,734)
The issuance of long-term obligations (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term obligations and related items is as follows:	
Repayment of debt principal	3,065,000
Amortization of refunding gain (loss)	35,107
Amortization of bond premiums and discounts - net	306,455
Issuance of leases payable	(247,116)
Issuance of subscription liability	(169,699)
Repayment of leases payable	32,109
Repayment of subscription liability	84,394
	<u>3,106,250</u>
Change in net position - governmental activities	\$ <u>6,035,154</u>

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 684,763	\$ 416,090
Receivables		
Federal subsidies	3,256	-
Other	-	295,723
Inventories	52,085	-
Prepaid expenses	-	199,040
Capital assets		
Machinery and equipment	107,262	-
Accumulated depreciation	(77,910)	-
Total assets	\$ 769,456	\$ 910,853
Deferred Outflows of Resources		
Deferred amounts on pension liability	\$ 243,000	\$ -
Deferred amounts on other post-employment benefits liabilities	20,452	-
Total deferred outflows of resources	\$ 263,452	\$ -
Liabilities		
Accounts payable	\$ 7,440	\$ 738,573
Due to other funds	4,333	-
Accrued salaries and benefits	2,470	-
Unearned revenues	58,645	-
Long-term liabilities		
Net pension liability	852,000	-
Other post-employment benefits liabilities	42,227	-
Total long-term liabilities	894,227	-
Total liabilities	\$ 967,115	\$ 738,573
Deferred Inflows of Resources		
Deferred amounts on pension liability	\$ 152,000	\$ -
Deferred amounts on other post-employment benefits liabilities	34,310	-
Total deferred inflows of resources	\$ 186,310	\$ -
Net Position (Deficit)		
Net investment in capital assets	\$ 29,352	\$ -
Unrestricted (deficit)	(149,869)	172,280
Total Net Position	\$ (120,517)	\$ 172,280

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
Operating Revenues		
Food service revenue	\$ 712,571	\$ -
Charges for services	-	6,745,822
Total operating revenues	712,571	6,745,822
Operating Expenses		
Salaries	209,795	-
Employee benefits	110,995	7,033,399
Other purchased services	1,316,080	-
Repairs and maintenance	33,766	-
Supplies	131,908	-
Depreciation	403	-
Total operating expenses	1,802,947	7,033,399
Operating loss	(1,090,376)	(287,577)
Nonoperating Revenues		
Investment earnings	10,591	13,053
State sources	192,387	-
Federal sources	1,011,958	-
Value of donated commodities	94,953	-
Total nonoperating revenues	1,309,889	13,053
Changes in net position	219,513	(274,524)
Net Position - July 1, 2022	(340,030)	446,804
Net Position - June 30, 2023	\$ (120,517)	\$ 172,280

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2023

	Major Enterprise Fund	
	Food Service Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash received from users	\$ 699,265	\$ -
Cash received from assessments made to other funds	-	6,745,818
Cash payments to employees for services	(365,513)	-
Cash payments to suppliers for goods and services	(1,477,819)	(7,254,160)
Net cash used in operating activities	(1,144,067)	(508,342)
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(29,755)	-
Cash Flows From Non-Capital Financing Activities		
State sources	192,513	-
Federal sources	1,012,584	-
Net cash provided by non-capital financing activities	1,205,097	-
Cash Flows From Investing Activities		
Investment earnings	10,591	13,053
Net cash provided by investing activities	10,591	13,053
Net change in cash and cash equivalents	41,866	(495,289)
Cash and Cash Equivalents:		
July 1, 2022	642,897	911,379
June 30, 2023	\$ 684,763	\$ 416,090
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (1,090,376)	\$ (287,577)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	403	
Value of donated commodities	94,953	
Decrease (Increase) in:		
Receivables	3,926	(99,440)
Due from other funds	11,676	-
Inventory	(14,767)	-
Prepaid expense	-	1,816
Deferred outflows of resources	78,470	-
Increase (decrease) in:		
Accounts payable	(18,242)	(123,137)
Accrued salaries and benefits	(674)	-
Unearned revenue	1,088	-
Due to other funds	(88,005)	(4)
Net pension liability	(58,000)	-
OPEB liabilities	(16,179)	-
Deferred inflows of resources	(48,340)	-
Net cash used in operating activities	\$ (1,144,067)	\$ (508,342)
Supplemental Disclosure		
Noncash non-capital financing activity		
Receipt of USDA donated commodities	\$ 109,347	\$ -

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 547,769
Accounts receivable	2,275
Total assets	<u>\$ 550,044</u>
Liabilities	
Accounts payable	\$ 10,750
Total liabilities	<u>\$ 10,750</u>
Net Position	
Restricted for:	
Held in trust for scholarships	\$ 103,490
Held in trust for health programs	405
Endowments	323,978
Student activities	111,421
Total net position	<u>539,294</u>
Total liabilities and net position	<u>\$ 550,044</u>

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2023

	Custodial Fund
<hr/>	
Additions	
Gifts and contributions	\$ 9,117
Fees and collections	155,523
Investment earnings	7,397
Total additions	<hr/> 172,037 <hr/>
Deductions	
Student activity expenses	146,324
Scholarship awarded	16,375
Total deductions	<hr/> 162,699 <hr/>
 Changes in net position	 9,338
Net Position:	
July 1, 2022	529,956
June 30, 2023	<hr/> \$ 539,294 <hr/>

See Notes to Financial Statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Elizabethtown Area School District (the District), located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12th to students living in Elizabethtown Borough, Mount Joy, West Donegal and Conoy Townships. These include regular, advanced academic, vocational education programs and special education programs for gifted and handicapped children. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District is comprised of three elementary schools, one middle school, and one high school, serving approximately 3,700 students.

The accounting policies of Elizabethtown Area School District conform with accounting principles generally accepted in the United States of America (GAAP) 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:

A. Reporting Entity

Consistent with guidance contained in Statement No. 14 of the GASB, The Financial Reporting Entity, and as amended, the criteria used by the 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 District reviews the applicability of the following criteria:

The District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if District officials appoint a voting majority of the organization's governing body and the 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 District as defined below.

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

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

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

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures

Lancaster County Career and Technology Center: The District is one of 16-member school districts of the Lancaster County Career and Technology Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the area Career and Technology Center Board for Lancaster County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the District's reporting entity. The District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2023, was approximately \$1,311,745. 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 District is also a member of the Lancaster County Career and Technology Center Authority (LCCTC Authority). In 1968, the LCCTC 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 LCCTC Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the LCCTC facilities. In 1998, the LCCTC Authority entered into an additional agreement with the member school districts and the LCCTC Authority Board to advance refund the LCCTC Authority's 1995 bonds. The District has an ongoing financial responsibility to the LCCTC Authority for a portion of the debt obligation relating to these improvements. The District's lease payment to the LCCTC Authority for the year ended June 30, 2023, was \$69,110, which has been reported in the District's general fund. Complete general purpose financial statements for the LCCTC Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

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

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures (Continued)

Lancaster County Career and Technology Center Authority (Continued):

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

<u>Years</u>	<u>Amount</u>
2024	\$ 69,321
2025	69,502
2026	69,866
2027	69,390
2028	68,975
2029-2033	341,967
2034-2037	272,448
	<u>\$ 961,469</u>

Lancaster-Lebanon Joint Authority: The District is a member of the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P. L. 382, as amended, by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit 13. The Authority is not reported as part of the District's reporting entity. The District did not have any financial transactions with the Authority during the year ended June 30, 2023. 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 (LLIU): The LLIU Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' boards of directors. Elizabethtown Area 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. Elizabethtown Area School District contracts with the LLIU for special education services for District students. The amount paid for services for the year ended June 30, 2023, was \$2,484,066. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

Lancaster County Academy (Academy): The District participates with 11 other school districts in Lancaster County. Each public school district appoints one member to serve on the joint operating committee. As a member school district, each school district has an ongoing financial responsibility to fund the operations of the Academy. The District's portion of the operating expenditures for the year ended June 30, 2023, was \$39,338. Complete financial information for the Academy can be obtained from the Administrative Office at 1202 Park City Center, Lancaster, PA 17601.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Joint Ventures (Continued)

Lancaster County Tax Collection Bureau (Bureau): The 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 monthly. The District's portion of the operating expenditures for the year ended June 30, 2023, was \$69,683. Complete financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

C. Basis of Presentation - Fund Accounting

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

D. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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 District that are governmental and those that are considered business-type activities.

The government-wide financial 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 reconciliation 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 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 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 District.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Basis of Presentation - Fund Financial Statements

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

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This fund includes the capital reserve fund and any bond construction funds held by the District.

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.

The District reports the following proprietary funds:

Food Service Fund - This major 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 health insurance premiums and claims which are services provided to the District employees as benefits.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Basis of Presentation - Fund Financial Statements (Continued)

The custodial fund is used to account for assets held by the District as agent for others. This fund accounts for the receipts and disbursement of monies related to student-led activities, as well as accounts for the receipts and disbursement of monies contributed to the District for scholarships, and to provide materials for health-related programs.

F. Budgetary Accounting and 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. As of June 30, 2023, the District had no encumbrances.

G. Basis of Accounting

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

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

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the 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, compensated absence, pension and other postemployment benefits 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, 2023, which are not intended to finance fiscal 2023 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenues at year end.

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

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Basis of Accounting (Continued)

Revenues 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 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. Revenues from grants, entitlements and donations are 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they 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 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.

When amounts are available in multiple fund balance classifications, it is the District's policy to use funds in the following order: restricted, committed, assigned and unassigned.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

Taxes Receivable and Deferred Inflows of Tax Revenues: The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. All taxes receivables are considered to be fully collectible.

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.

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

Inventories in governmental funds represent the estimated cost using the first-in/first-out (FIFO) method of supplies on hand at June 30, 2023. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. The inventory cost has been recorded as an asset in the governmental funds.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2023, including the value of commodities donated by the federal government. Any unused commodities donated by the federal government are reported as deferred revenue until used.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Capital Assets: The 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 acquisition value on the date donated. The District capitalizes assets with an individual cost of \$5,000 and an estimated useful life in excess of one year. 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 current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

Assets	Years
Buildings	25-30
Building Improvements	15-30
Land improvements	50
Furniture	10-25
Equipment	5-25
Vehicles	3-15

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has identified these items in subsequent notes to the financial statements.

Long-Term Liabilities: In the government-wide financial statements, and in those of proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable reflect the effects of applicable bond premiums or discounts. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Lease and Subscription Based Information Technology Arrangement (SBITA) Liabilities: The District enters into non-cancellable arrangements for the leasing of buildings and equipment and for subscription based information technology. Lease and SBITA that are significant, either individually or in the aggregate, are recognized as a liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a lease or SBITA, the District initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The right-to-use asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the contract commencement date. Subsequently, the right-to-use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) contract term, and (3) contract payments. The District uses the interest rate charged by the lessor as the discount rate for lease and SBITA liabilities, if provided. When the interest rate charged is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases and SBITA liabilities.

The term includes the non-cancellable period of the lease or SBITA. Payments included in the measurement of the liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its arrangements and will remeasure the related asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Right-to-use assets are reported with other capital assets and lease and SBITA liabilities are reported with long-term debt on the Statement of Net Position.

Unearned Revenues: Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Compensated Absences: The District accrues unused vacation and sick leave as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with District policy. The District also accrues service stipends to be paid out at retirement in accordance with District policy.

Vacation and sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated vacation and sick leave and employees' wage rates at year end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Pensions: Substantially all full-time and qualifying part-time employees of the District participate in a cost-sharing multiple-employer defined benefit and defined contribution pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-employment Benefits (OPEB):

Single Employer Defined-Benefit OPEB Plan: The 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 District participates in the 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 PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Other Post-employment Benefits (OPEB) (Continued):

The balance of the District's OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Liabilities			
District's Single Employer Plan	\$ 2,443,783	\$ 17,227	\$ 2,461,010
PSERS Cost-Sharing Plan	3,504,000	25,000	3,529,000
Total	<u>\$ 5,947,783</u>	<u>\$ 42,227</u>	<u>\$ 5,990,010</u>
Deferred Outflows of Resources			
District's Single Employer Plan	\$ 1,468,560	\$ 10,352	\$ 1,478,912
PSERS Cost-Sharing Plan	1,426,200	10,100	1,436,300
Total	<u>\$ 2,894,760</u>	<u>\$ 20,452</u>	<u>\$ 2,915,212</u>
Deferred Inflows of Resources			
District's Single Employer Plan	\$ 2,994,601	\$ 21,110	\$ 3,015,711
PSERS Cost-Sharing Plan	1,872,300	13,200	1,885,500
Total	<u>\$ 4,866,901</u>	<u>\$ 34,310</u>	<u>\$ 4,901,211</u>

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost-Sharing Plan are in Notes 12 and 13, respectively.

Deferred Inflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has identified these items in subsequent notes to the financial statements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Fund Balance: The District's fund balance classifications are defined and described as follows:

Non-spendable: Represents amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents amounts that are constrained for a specific purpose through restrictions by external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purposes through the same action it used to commit the funds.

Assigned: Represents amounts that are constrained by the government's intentions for them to be used for specific purposes, but such amounts are neither restricted nor committed. The Board has delegated the authority to establish intent to the District's Director of Finance and Operations.

Unassigned: Represents amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The District's policy is to first apply restricted fund balance, then committed, assigned and unassigned, respectively, when an expenditure is incurred for purposes for which amounts in any of these classifications could be used.

The District has adopted a formal minimum fund policy. The District will strive to maintain an unassigned general fund balance of approximately 5% to 8% of the budgeted expenditures for that fiscal year. The total fund balance, including committed, assigned or unassigned categories may exceed 8% of the budgeted expenditures for that fiscal year.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

I. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnerships. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of this pronouncement resulted in the measurement of SBITA liabilities using the remaining lease term and discount rate at July 1, 2022, and the right-to-use assets were measured based on the lease liability. Accordingly, a restatement of net position was not necessary to implement this statement.

GASB Statement No. 99, *Omnibus 2022*, is effective for the District in fiscal years ending between June 30, 2022 and 2024, depending on the topics addressed and their relation to other standards. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

I. New Accounting Pronouncements (Continued)

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, will be effective for the District beginning with its year ending June 30, 2024 (fiscal years beginning after June 15, 2023). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.

GASB Statement No. 101, *Compensated Absences*, will be effective for the District beginning with its year ending June 30, 2025 (fiscal years beginning after December 15, 2023). 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. 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.

J. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 31, 2024, the date the financial statements were available to be issued.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 - The Federal Deposit Insurance Corporation (FDIC), or
 - The Federal Savings and Loan Insurance Corporation (FSLIC), or
 - The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania, or instrumentalities thereof, backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policy of the District adheres to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

Deposits: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. A summary of the District's deposits at June 30, 2023, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	Mid Penn
Uninsured, collateralized in accordance with Act 72	29,223,852	29,744,982	
	<u>\$ 29,473,852</u>	<u>\$ 29,994,982</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

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

At June 30, 2023, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund PSDMAX	AAAm	0.068	\$ 511,776
			<u>\$ 511,776</u>

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals. These investments qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79.

Weighted-Average Maturity: The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management monitors rates of returns for investments on a monthly basis and governance reviews investment returns on at least a quarterly basis.

Concentration of Credit Risk: The District places no limit on the amount they may invest in any one issuer. At June 30, 2023, the District does not have any concentration 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 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 District has no investments which are subject to custodial credit risk at June 30, 2023.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Real Estate Taxes

Based upon assessments provided by the County, the District bills and collects its own property taxes. The District tax rate for the year ended June 30, 2023, was 18.6089 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2023, follows:

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

Note 4. Taxes Receivable and Deferred Taxes

The District, in accordance with accounting principles generally accepted in the United States of America, recognizes delinquent and unpaid taxes receivable. All taxes are determined to be collectible. A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The balances at June 30, 2023, are as follows:

	Gross Taxes Receivable	Revenue Recognized	Deferred Taxes
Real Estate Taxes	\$ 405,016	\$ 72,381	\$ 332,635
Earned Income Taxes	837,120	837,120	-
Realty Transfer Taxes	101,120	101,120	-
	<u>\$ 1,343,256</u>	<u>\$ 1,010,621</u>	<u>\$ 332,635</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Activity

Interfund balances are as follows at June 30, 2023:

Fund	Interfund Receivables	Interfund Payables
Governmental Fund		
General Fund	\$ 4,333	\$ 588,841
Capital Projects Fund - 2019 Bond Construction Fund	10,650	-
Capital Projects Fund - Capital Reserve Fund	588,841	10,650
Proprietary Fund		
Food Service	-	4,333
	\$ 603,824	\$ 603,824

All interfund receivable/payable balances resulted from time lags between the dates that (1) interfund goods and services were provided or expenditures/expenses were reimbursed; (2) transactions were recorded in the accounting system; and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Interfund transfers were as follows at June 30, 2023:

Fund	Transfers In	Transfers Out
Governmental Fund		
General Fund	\$ -	\$ 5,405,556
Capital Projects Fund - Capital Reserve Fund	935,661	-
Debt Service	4,469,895	-
	\$ 5,405,556	\$ 5,405,556

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Note 6. Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the District. At June 30, 2023. The following amounts are due from other governmental units:

	Governmental Activities	Business-Type Activities
Local	\$ 797,928	\$ -
PA Department of Education		
Social Security	333,016	-
Retirement	1,657,204	-
Other	79,329	3,256
Federal Grants	222,735	-
	\$ 3,090,212	\$ 3,256

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

Capital and right-to-use asset activity for governmental and business-type activities for the year ended June 30, 2023, was as follows:

	Restated July 1, 2022	Additions	Deletions	June 30, 2023
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,095,713	\$ -	\$ (70,500)	\$ 1,025,213
Construction-in-progress	-	440,799	-	440,799
Total cost	1,095,713	440,799	(70,500)	1,466,012
Capital and right-to-use assets being depreciated/amortized				
Land improvements	6,901,960	-	(320,885)	6,581,075
Buildings and building improvements	103,870,819	137,529	(8,059,455)	95,948,893
Furniture and Equipment	5,941,332	566,286	(287,422)	6,220,196
Vehicles	457,321	157,119	-	614,440
Right-to-use leased equipment	-	247,116	-	247,116
Right-to-use subscription assets	378,982	169,699	-	548,681
Total cost	117,550,414	1,277,749	(8,667,762)	110,160,401
Accumulated depreciation/amortization:				
Land Improvements	3,872,524	266,574	(257,616)	3,881,482
Buildings and improvements	41,843,620	4,311,902	(5,988,364)	40,167,158
Furniture and equipment	3,455,571	278,988	(232,292)	3,502,267
Vehicles	321,209	29,348	-	350,557
Right-to-use leased equipment	-	37,067	-	37,067
Right-to-use subscription assets	-	77,621	-	77,621
Total accumulated depreciation/amortization	49,492,924	5,001,500	(6,478,272)	48,016,152
Total capital and right-to-use assets being depreciated/amortized, net	68,057,490	(3,723,751)	(2,189,490)	62,144,249
Total Governmental Activities, Capital and Right-to-Use Assets - Net	\$ 69,153,203	\$ (3,282,952)	\$ (2,259,990)	\$ 63,610,261
Business-Type Activities				
Capital assets being depreciated				
Equipment	77,507	29,755	-	107,262
Accumulated Depreciation				
Equipment	77,507	403	-	77,910
Net Capital Assets	\$ -	\$ 29,352	\$ -	\$ 29,352

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

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

	Amount
Governmental Activities	
Instructional Programs	\$ 3,646,449
Instructional student support	445,807
Administration and financial services	574,584
Operation and maintenance of plant services	228,276
Transportation	15,113
Student activities	91,018
Community services	253
Total governmental activities	<u>5,001,500</u>
Business-Type Activities	
Food service	<u>403</u>
Total District	<u><u>\$ 5,001,903</u></u>

Note 8. Accrued Salaries and Benefits

At June 30, 2023, the District was liable for payroll and benefits payable during July and August 2023, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2023, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and service stipends. The liability also includes accrued retirement which represents the PSERS contribution for the second quarter of the calendar year 2023.

Note 9. Unearned Revenues

Unearned revenue in the general fund consists of student activities funding, and grant funding, received, but not yet earned of \$110,576 as of June 30, 2023.

Unearned revenue in the food service fund consists of prepaid lunch sales and deferred revenue related to donated commodities of \$58,645 as of June 30, 2023.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Debt

Long-term obligation activity is summarized as follows:

	July 1, 2022 (Restated)	Increases	Decreases	June 30, 2023	Due within one year
Governmental Activities:					
General obligation debt	\$ 50,830,000	\$ -	\$ (3,065,000)	\$ 47,765,000	\$ 3,290,000
Bonds premiums (discounts)	1,971,956	-	(306,455)	1,665,501	-
Total	52,801,956	-	(3,371,455)	49,430,501	3,290,000
Compensated absences (see Note 1)	1,612,620	537,094	-	2,149,714	-
Leases payable	-	247,116	(32,109)	215,007	45,342
Subscription liability	378,982	169,699	(84,394)	464,287	71,662
Total governmental activities	\$ 54,793,558	\$ 953,909	\$ (3,487,958)	\$ 52,259,509	\$ 3,407,004

Currently, the District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2023, as follows:

Issue	Final Maturity	Interest Rates	Principal Outstanding June 30, 2023	Balance Due Within One Year
Series 2019	Feb 2025	2.00% - 4.00%	\$ 4,820,000	\$ 1,080,000
Series A of 2019	Aug 2043	1.20% - 4.00%	9,060,000	5,000
Series of 2020	Nov 2030	.64% - 4.00%	8,930,000	1,215,000
Series A of 2020	Nov 2030	.52% - 4.00%	6,745,000	50,000
Series of 2021	Nov 2032	.25% - 3.00%	5,000,000	90,000
Series A of 2021	Nov 2039	.25% - 4.00%	3,775,000	570,000
Series of 2022	Nov 2039	2.00% - 4.00%	9,435,000	280,000
			<u>\$ 47,765,000</u>	<u>\$ 3,290,000</u>

General Obligation Debt

The District issues general obligations to provide funds for major capital improvements. These bonds and notes are direct obligations and pledge the full faith and credit of the District.

General Obligation Bonds - Series of 2022 - On February 17, 2022, the District issued general obligation bonds, Series of 2022, in the amount of \$9,740,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series of 2017 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 2.00% to 4.00% with principal maturities from \$25,000 to \$1,190,000 each November 15 through 2039. The present value of the District's savings over the term of the bond amounts to \$2,802,996.

General Obligation Bonds - Series of 2021 - On December 2, 2021, the District issued general obligation bonds, Series of 2021, in the amount of \$5,110,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series of 2016 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.25% to 3.00% with principal maturities from \$5,000 to \$2,130,000 each November 15 through 2032. The present value of the District's savings over the term of the bond amounts to \$346,574.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Debt (Continued)

General Obligation Debt (Continued)

General Obligation Bonds - Series A of 2021 - On December 2, 2021, the District issued general obligation bonds, Series A of 2021, in the amount of \$4,330,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series A of 2016 and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.25% to 4.00% with principal maturities from \$15,000 to \$580,000 each November 15 through 2039. The present value of the District's savings over the term of the bond amounts to \$1,446,683.

General Obligation Bonds - Series A of 2020 - On August 18, 2020, the District issued general obligation bonds, Series A of 2020, in the amount of \$9,995,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series A of 2015, and a partial refunding of Series of 2012, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.52% to 4.00% with principal maturities from \$25,000 through \$1,450,000 each November 15 through 2030. The difference between the cash flows required to service the refinanced debt and the new debt amounts to \$576,531. The present value of the District's savings over the term of the bond amounts to \$507,630.

General Obligation Bonds - Series of 2020 - On July 28, 2020, the District issued general obligation bonds, Series of 2020, in the amount of \$9,995,000. The purpose of the bonds was to provide funds for the current refunding of the District's general obligation bonds, Series of 2015 and a partial refunding of Series of 2012, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.64% to 4.00% with principal maturities from \$55,000 through \$1,590,000 each November 15 through 2030. The difference between the cash flows required to service the refinanced debt and the new debt amounts to \$730,091. The present value of the District's savings over the term of the bond amounts to \$634,889.

General Obligation Bonds - Series A of 2019 - On September 12, 2019, the District issued general obligation bonds, Series A of 2019, in the amount of \$9,075,000. The purpose of the bonds was to (1) finance the renovations for Elizabethtown Area Middle School and Rheems Elementary School, and (2) pay costs of issuing the bonds. The bonds bear interest rates ranging from 1.20% to 4.00% with principal maturities from \$5,000 to \$960,000.

General Obligation Bonds - Series of 2019 - On August 15, 2019, the District issued general obligation bonds, Series of 2019, in the amount of \$8,000,000. The purpose of the bonds was to provide funds for the refunding of the District's general obligation bonds, Series of 2013, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 2.00% to 4.00% with principal maturities from \$500,000 to \$1,600,000.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Debt (Continued)

General Obligation Debt (Continued)

Aggregate annual debt service requirements to maturity for the above governmental general debt obligations are as follows:

Year ending June 30,	Bonds		Minimum Debt Service
	Principal	Interest	
2024	\$ 3,290,000	\$ 1,281,854	\$ 4,571,854
2025	3,525,000	1,158,335	4,683,335
2026	3,745,000	1,039,913	4,784,913
2027	2,685,000	941,538	3,626,538
2028	2,745,000	874,275	3,619,275
2029-2033	13,275,000	3,490,200	16,765,200
2034-2038	10,345,000	2,032,300	12,377,300
2039-2043	7,195,000	690,350	7,885,350
2044-2047	960,000	19,200	979,200
	<u>\$ 47,765,000</u>	<u>\$ 11,527,964</u>	<u>\$ 59,292,964</u>

The District pays the long-term obligations of the governmental activities from the general fund; debt service is liquidated via transfers to the debt service fund. Long-term obligations of the business-type activities are paid from the food service fund.

Interest costs incurred during the year ended June 30, 2023 were \$1,404,895, all of which was charged to expense

Leases Payable

The District leases equipment for the District's operations. The term is for five years. The District's equipment lease contains scheduled monthly payments, through 2027. Leases payable are completely funded by the general fund.

The following is a schedule of future minimum lease payments for the lease with an initial or remaining term in excess of one year as of June 30, 2023:

Year ending June 30,	Principal	Interest	Total
2024	\$ 45,342	\$ 12,777	\$ 58,119
2025	48,412	9,706	58,118
2026	51,690	6,428	58,118
2027	55,191	2,928	58,119
2028	14,372	158	14,530
	<u>\$ 215,007</u>	<u>\$ 31,997</u>	<u>\$ 247,004</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Debt (Continued)

Subscription Based Information Technology Arrangements

The District enters into various arrangements for administrative and educational software. Many of the software and subscription arrangements are one year or less, however, the District enters into longer term arrangements that required right-to use subscription asset and liability accounting. These terms range from three to eighteen years.

The District's subscription based information technology arrangements contain scheduled monthly or annual payments with expiration dates extending through 2040. Subscription liability obligations are primarily funded by the general fund.

The following is a schedule of future minimum subscription liability payments for agreements with initial or remaining terms in excess of one year as of June 30, 2023:

Year ending June 30,	Principal	Interest	Total
2024	\$ 71,662	\$ 12,732	\$ 84,394
2025	73,284	11,110	84,394
2026	17,221	9,451	26,672
2027	17,731	8,941	26,672
2028	18,255	8,416	26,671
2029-2033	99,707	33,650	133,357
2034-2038	115,360	17,997	133,357
2039-2040	51,067	2,278	53,345
	<u>\$ 464,287</u>	<u>\$ 104,575</u>	<u>\$ 568,862</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

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 three 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% and 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members, whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Contributions

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%
				6.25%
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% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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 District’s contractually required contribution rate for the fiscal year ended June 30, 2023, was 34.51% 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. Included in the District’s contractually required contribution rate is the Act 5 contribution rate totaling an estimated .20%.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total District’s rate. The District’s contributions to the Plan, relating to pension benefits, for the year ended June 30, 2023, was \$10,093,000, and is equal to the required contribution for the year. For the year ended June 30, 2023, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$5,124,063.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2023, the District reported a liability of \$85,227,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2021 to June 30, 2022. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported covered payroll. At June 30, 2023, the District’s reported proportion was .1917%, which was an decrease of .0299% from its proportion reported as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$5,877,000. At June 30, 2023, the 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
Differences between expected and actual experience	\$ 39,000	\$ 737,000
Changes in assumptions	2,545,000	-
Net difference between projected and actual investment earnings	-	1,446,000
Changes in proportions	11,478,000	13,051,000
Difference between employer contributions and proportionate share of total contributions	136,000	-
Contributions subsequent to the measurement date	10,093,000	-
	<u>\$ 24,291,000</u>	<u>\$ 15,234,000</u>

\$10,093,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amount
2024	\$ (84,000)
2025	2,628,000
2026	(5,635,000)
2027	2,050,000
2028	5,000
	<u>\$ (1,036,000)</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2022, was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2021.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- 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 was 7.00% as of June 30, 2021 and as of June 30, 2022.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

Investments

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	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
	<u>100.0%</u>	

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Investments (Continued)

For the year ended June 30, 2022, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The above table 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, 2022.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.00%, as well as what the District's proportionate share of 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 discount rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 110,236,000	\$ 85,227,000	\$ 64,142,000

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 the System's website at www.psers.pa.gov.

Plan Payables

At June 30, 2023, the District reported a payable to PSERS of \$3,200,605, which represents the employer contributions owed to the pension plan.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District’s Single Employer Plan

Plan Description

The District provides retiree health, vision and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the plan are summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
ALL EMPLOYEES	ACT 110/43	Act 110-43	Member can continue coverage until Medicare age. Spouse can continue coverage until earlier of member or spouse Medicare age.
<i>Notes:</i>	<p>Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.</p> <p>Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.</p> <p>PSERS Supplement: A retiree may receive a \$100 monthly medical reimbursement from PSERS if he (or she) meets one of the following qualifications at retirement:</p> <ol style="list-style-type: none"> 1) 24.5 years of PSERS service 2) Upon superannuation retirement with at least 15 years of PSERS service <p>PSERS Superannuation Retirement:</p> <ol style="list-style-type: none"> 1) Pension Class T-C or T-D: An employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS 2) Pension Class T-E or T-F: An employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who become members of PSERS on or after July 1, 2011 and prior to July 1, 2019. 3) Pension Class T-G: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019. 4) Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of 		

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Employees Covered by the Benefit Terms

As of the July 1, 2022, actuarial valuation, the following participants were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	25
Inactive Employees Entitled to but not yet Receiving Benefits	-
Active Employees	400
	425
	425

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

At June 30, 2023, the District's reported a liability of total OPEB liability of \$2,461,010 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2021. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 3,057,981
Changes for the year	
Service cost	189,002
Interest	72,422
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(728,119)
Benefit payments	(130,276)
Other Changes	-
Net Changes	(596,971)
Total OPEB Liability, ending	\$ 2,461,010

For the year ended June 30, 2023, the District recognized OPEB expense of \$185,687. At June 30, 2023, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,169,102
Changes in assumptions	1,343,310	846,609
Benefit payments subsequent to the measurement date	135,602	-
	\$ 1,478,912	\$ 3,015,711

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$135,602 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Total</u>
2024	\$ (75,737)
2025	(75,737)
2026	(75,737)
2027	(75,737)
2028	(91,392)
Thereafter	(1,278,061)
	<u>\$ (1,672,401)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%.
- Salary Increases - 2.5% cost of living adjustment, 1.5% real wage growth and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.
- Investment rate of return - 4.06%. Based on S&P Municipal Bond 20-year High Grade Rate Index at 7/1/2022.
- Health care cost trend rate - 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 and 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% 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 Health Care Cost Trend Rate.
- Mortality Rates: PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the table are rates projected generationally using Scall MP-2021 to reflect mortality improvements.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District’s Single Employer Plan (Continued)

Sensitivity of the District’s Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District calculated using the discount rate of 4.06%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.06%) or one percentage higher (5.06%) than the current rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Total OPEB liability	\$ 2,638,374	\$ 2,461,010	\$ 2,293,322

The discount rate used to measure the Total OPEB liability increased from 2.28% as of July 1, 2021 to 4.06% as of July 1, 2022.

Sensitivity of the District’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District calculated using the health care cost trend rate of (5.5% in 2020 decreasing to 4.0% in 2075), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one-percentage point lower or one-percentage higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 2,197,392	\$ 2,461,010	\$ 2,771,836

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan

Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) 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.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Plan Description (Continued)

Effective January 1, 2002, under the provisions of Act 9 of 2001, 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, 2022, there were no assumed future benefit increases to participating eligible retirees.

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2023, was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$220,000 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$3,529,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's reported proportion was .1917%, which was an increase of .0299% from its proportion reported as of June 30, 2022.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2023, the District recognized OPEB expense of \$9,100. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,000	\$ 19,000
Changes in assumptions	392,000	833,000
Net difference between projected and actual investment earnings	10,000	-
Changes in proportion	767,000	816,000
Difference between employer contributions and proportionate share of total contributions	15,300	217,500
Contributions subsequent to the measurement date	220,000	-
	<u>\$ 1,436,300</u>	<u>\$ 1,885,500</u>

\$220,000 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 ending June 30, 2024. 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 ending June 30:	Amount
2024	\$ (198,200)
2025	(163,900)
2026	(119,100)
2027	(121,200)
2028	(66,800)
	<u>\$ (669,200)</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2021 to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2021.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - 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%
- The discount rate used to measure the total OPEB liability increased from 2.18% as of June 30, 2021 to 4.09%, as of June 30, 2022.

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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2022.
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Investments

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.50%
	<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 of June 30, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

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

The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 3,991,000	\$ 3,529,000	\$ 3,142,000

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

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7%) that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,528,000	\$ 3,529,000	\$ 3,529,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2023, the District reported a payable to PSERS of \$69,558, which represents the employer contributions owed to the OPEB plan.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management

Health Insurance

The District self-insures medical and prescription benefits for eligible employees and their dependents. The claims for these self-insured benefits are processed by the District's third-party administrator. The District remits funds to the third-party administrator. The third-party administrator invoices the District weekly for paid claims. The District was limited in liability to \$195,000 per individual and \$6,034,570 in total for medical and prescription claims for the year ended June 30, 2023. The District has recorded a liability for claims incurred prior to June 30, 2023, and paid subsequently in the amount of \$738,573.

The District's obligation for health claims incurred by participants are estimated as claims paid after year end that have service dates during the reporting period, and adding an additional reserve for unreported claims which is determined by the third-party administrator. The claim liability is reflected in accounts payable in the internal service fund on the statement of net position - proprietary funds.

The change in claim aggregate claim liabilities are as follows:

	June 30, 2023	June 30, 2022
Claim Liability - Beginning of the Year	\$ 861,710	\$ 655,867
Current Year Claims and Change in Estimates	6,528,118	7,359,274
Claim Payments by School District	(6,651,255)	(7,153,431)
Claim Liability - End of the Year	<u>\$ 738,573</u>	<u>\$ 861,710</u>

Worker's Compensation

The District is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund) which is a cooperative voluntary trust arrangement for 16-member school districts and the Lancaster-Lebanon Intermediate Unit and the Lancaster County Academy. This agreement states that the District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and 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, 2023, the District is not aware of any additional assessments relating to the Fund.

ELIZABETH AREA TOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management (Continued)

Other Risks

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2023, and the two previous fiscal years, no settlements exceeded insurance coverage.

The District fully insures dental benefits for employees electing coverage.

Note 15. Fund Balance Components

Non-spendable fund balances consist of amounts that are not in spendable form or are legally or contractually required to be maintained intact.

General fund - nonspendable prepaid expenses	\$ 48,005
General fund - nonspendable inventories	109,300
	<u>\$ 157,305</u>

Restricted fund balance is restricted by a third party.

Capital projects fund - future capital projects as restricted by debt covenants	\$ 5,034,945
Capital projects fund - restricted by commonwealth legislation	3,575,874
	<u>\$ 8,610,819</u>

Committed fund balances represent fund balances that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. At June 30, 2023, the District has included the following as committed fund balances:

General fund - committed to future facility improvements	<u>\$ 8,700,000</u>
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Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or a body to which the governing body delegates the authority.

General fund - assigned for future facility improvements	\$ 2,600,000
General fund - assigned for health fund/HSA increases	1,900,000
General fund - assigned for technology improvements/upgrades	700,000
General fund - assigned for cyber/charter school increases	700,000
	<u>\$ 5,900,000</u>

ELIZABETHAREA TOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. Components of Net Position

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that is attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to capital assets or related debt are also included in this component of net position.

The restricted component of net position consists of the resources of the District's capital reserve fund, which pursuant to Commonwealth legislation, may only be spent for capital improvements; replacement of, addition to and improvement to public works; deferred maintenance and the replacement of school buses. The Pennsylvania Department of Education has determined that new construction and the associated debt service may also be accounted for in the capital reserve fund.

Note 17. Commitments, Contingencies and Uncertainties

Grant Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. 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 District expects such amounts, if any, to be immaterial.

Legal Matters

The District is involved in claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

Transportation Contract

The District has entered into an agreement for the transportation of school pupils with Durham School Services. This Agreement is for the period of July 1, 2023 to June 30, 2026. 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 of 3% for the duration of the contract. The District incurred approximately \$2,209,000 in related expenditures for the year ended June 30, 2023.

Collective Bargaining Agreement

The District has entered into a collective bargaining agreement with the Elizabethtown Area Education Association. The Agreement in effect is for the period of July 1, 2020 through June 30, 2025. The Agreements stipulates the overall working conditions as well as the provisions for wages and employee benefits for the District's professional staff for the term of the contract.

ELIZABETHAREA TOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 18. Tax Abatements

The District is a local taxing authority, authorized by the Local Economic Revitalization Tax Assistance Act (LERTA) to provide tax exemption for new construction in deteriorated areas of economically depressed communities and for improvements to certain deteriorated industrial, commercial, and other business properties to encourage development and job growth within the District. The District, in conjunction with the county and municipal taxing authorities, approved eligible areas on July 9, 2018 and on June 25, 2019. Applications for exemption must be made within five years of the effective date of the School Board's approval of the area. The property tax abatement in year 1 is equal to 100% of the real property tax on the assessed value of the property improvement to the deteriorated property. The percentage of tax abatement declines in increments of 10% from years 2 through 10. Exemption is revoked and forfeited for failure by the property owner to pay any nonexempt real estate taxes by the last day of the time period to pay such taxes in the penalty period.

For the year ended June 30, 2023, the District abated approximately \$693,000 of property taxes under these agreements.

Note 19. Payments in LIEU of Taxes

The District, as a taxing Authority, is permitted to accept payment in lieu of taxes (PILOT) from charitable organizations owning exempt real estate within its boundaries. The District, in 2008, entered into a 20-year agreement with a charitable organization that provides for PILOT of approximately \$804,000 in the initial year escalating to approximately \$1,049,000 in the final year of the agreement. The receipt from this agreement, along with other PILOT receipts, is recorded as unrestricted contributions of the governmental activities in the statement of activities.

Note 20. Subsequent Events

In October 2023 the District entered into contracts related to the field house and athletic field project, for a total approximate cost of \$13,900,0000.

REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTOWN AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Real estate taxes	\$ 42,518,226	\$ 42,518,226	\$ 42,461,576	\$ (56,650)
Other taxes	5,494,000	5,494,000	6,218,951	724,951
Investment earnings	130,000	130,000	541,983	411,983
Other revenue	1,403,054	1,403,054	2,026,937	623,883
Total local sources	49,545,280	49,545,280	51,249,447	1,704,167
State sources	21,073,824	21,073,824	22,050,129	976,305
Federal sources	2,404,997	2,404,997	2,303,856	(101,141)
Total revenues	73,024,101	73,024,101	75,603,432	2,579,331
Expenditures				
Instructional services				
Regular programs	34,161,902	34,573,009	32,409,686	2,163,323
Special programs	10,894,531	10,988,424	11,966,202	(977,778)
Vocational programs	2,316,915	2,316,915	2,272,475	44,440
Other instructional programs	237,467	237,467	395,049	(157,582)
Nonpublic school programs	8,000	8,000	26,240	(18,240)
Higher education program for secondary students	5,000	5,000	-	5,000
Pre-Kindergarten	-	-	10,800	(10,800)
Total instructional services	47,623,815	48,128,815	47,080,452	1,048,363
Support services				
Pupil personnel	2,812,400	2,811,977	3,056,022	(244,045)
Instructional staff	777,312	777,312	1,132,747	(355,435)
Administrative	3,888,555	3,888,828	3,707,773	181,055
Pupil health	897,008	897,008	841,928	55,080
Business	932,471	932,471	1,014,408	(81,937)
Operation of plant and maintenance	5,173,839	5,176,839	5,707,399	(530,560)
Student transportation	2,394,643	2,394,643	2,803,037	(408,394)
Central support services	1,799,075	1,796,225	1,951,579	(155,354)
Other support services	28,000	28,000	36,985	(8,985)
Total support services	18,703,303	18,703,303	20,251,878	(1,548,575)
Non-instructional services				
Student activities	1,180,761	1,180,761	1,217,381	(36,620)
Community service	62,295	57,295	14,006	43,289
Total non-instructional services	1,243,056	1,238,056	1,231,387	6,669
Capital outlay	-	-	219,078	(219,078)
Debt service	-	-	127,983	(127,983)
Total expenditures	67,570,174	68,070,174	68,910,778	(840,604)
Excess of revenues over expenditures	5,453,927	4,953,927	6,692,654	1,738,727
Other Financing Sources (Uses)				
Transfers out	(4,969,895)	(4,969,895)	(5,405,556)	(435,661)
Refund of prior years' receipts	-	-	(116,184)	(116,184)
Refund of prior years' expenditures	15,000	15,000	44,093	29,093
Proceeds on sale of capital assets	-	-	2,866,662	2,866,662
Proceeds from leases and other right to use arrangement	-	-	416,815	416,815
Budgetary reserve	(500,000)	-	-	-
Total other financing sources (uses)	(5,454,895)	(4,954,895)	(2,194,170)	2,760,725
Net changes in fund balance	\$ (968)	\$ (968)	4,498,484	\$ 4,499,452
Fund Balance - July 1, 2022			11,798,143	
Fund Balance - June 30, 2023			<u>\$ 16,296,627</u>	

See Notes to Required Supplementary Information.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgets and Budgetary Accounting General Fund

Elizabethtown Area School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by the PDE. Prior to that deadline, management submits to the School Board, for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The School Board determines if it will approve a resolution to keep any tax increase below the index.
2. If the School Board adopts the resolution, management submits prior to May 31 to the School Board a proposed operating budget 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.
3. A public hearing is conducted to obtain taxpayer comments.
4. If the School Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
5. Prior to June 30, the budget is legally enacted through adoption of a resolution.
6. 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 School 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.
7. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2023.
9. 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.
10. Where applicable, unbudgeted federal and state revenues and expenditures have been added to the original budgeted revenues and expenditures.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.1917%	\$ 85,227,000	\$ 28,195,103	302.28%	61.34%
2022	0.2216%	\$ 90,982,000	\$ 31,404,698	289.71%	63.67%
2021	0.1992%	\$ 98,059,000	\$ 27,891,412	351.57%	54.32%
2020	0.1966%	\$ 91,975,000	\$ 27,120,360	339.14%	55.66%
2019	0.1946%	\$ 93,418,000	\$ 26,207,769	356.45%	54.00%
2018	0.1887%	\$ 93,181,000	\$ 25,123,007	370.90%	51.84%
2017	0.1939%	\$ 96,091,000	\$ 25,106,006	382.74%	50.14%
2016	0.1849%	\$ 80,090,261	\$ 23,830,686	336.08%	54.36%
2015	0.1833%	\$ 72,551,711	\$ 23,392,576	310.15%	57.24%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PENSION CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 10,093,131	\$ (10,093,131)	\$ -	\$ 29,140,121	34.64%
2022	\$ 9,744,180	\$ (9,744,180)	\$ -	\$ 27,516,092	35.41%
2021	\$ 9,526,765	\$ (9,526,765)	\$ -	\$ 28,147,925	33.51%
2020	\$ 9,304,575	\$ (9,304,575)	\$ -	\$ 27,891,412	33.36%
2019	\$ 8,856,510	\$ (8,856,510)	\$ -	\$ 27,120,360	32.60%
2018	\$ 8,257,531	\$ (8,257,531)	\$ -	\$ 26,207,769	31.74%
2017	\$ 7,246,281	\$ (7,246,281)	\$ -	\$ 25,123,007	29.20%
2016	\$ 6,147,137	\$ (6,147,137)	\$ -	\$ 25,106,006	25.00%
2015	\$ 4,766,705	\$ (4,766,705)	\$ -	\$ 23,830,686	20.50%
2014	\$ 3,743,461	\$ (3,743,461)	\$ -	\$ 23,392,576	16.00%
2013	\$ 2,599,517	\$ (2,599,517)	\$ -	\$ 22,601,376	11.50%
2012	\$ 1,713,123	\$ (1,713,123)	\$ -	\$ 21,414,031	8.00%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT'S SINGLE EMPLOYER PLAN**

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 189,002	\$ 152,526	\$ 161,501	\$ 152,429	\$ 158,218	\$ 163,981
Interest	72,422	171,411	167,910	126,146	123,396	129,777
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(1,765,747)	-	(1,012,390)	-	(205,077)
Changes in assumptions	(728,119)	(206,227)	-	1,519,399	-	1,050,843
Benefit payments	(130,276)	(230,354)	(219,444)	(175,641)	(198,457)	(173,329)
Other Changes	-	-	-	-	-	-
Net change in total OPEB liability	(596,971)	(1,878,391)	109,967	609,943	83,157	966,195
Total OPEB Liability - beginning	3,057,981	4,936,372	4,826,405	4,216,462	4,133,305	3,167,110
Total OPEB Liability - ending	\$ 2,461,010	\$ 3,057,981	\$ 4,936,372	\$ 4,826,405	\$ 4,216,462	\$ 4,133,305
Covered payroll	\$ 26,920,136	\$ 26,920,136	\$ 24,773,177	\$ 24,168,953	\$ 24,341,850	\$ 23,748,146
Net OPEB liability as a percentage of covered payroll	9.14%	11.36%	19.93%	19.97%	17.32%	17.40%

Notes to Schedule:

For the fiscal year ended June 30, 2023:

Changes in assumptions: The discount rate changed from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.1917%	\$ 3,529,000	\$ 28,195,103	12.52%	6.86%
2022	0.2215%	\$ 5,251,000	\$ 31,404,698	16.72%	5.30%
2021	0.1922%	\$ 4,304,000	\$ 27,891,412	15.43%	5.69%
2020	0.1966%	\$ 4,181,000	\$ 27,120,360	15.42%	5.56%
2019	0.1946%	\$ 4,057,000	\$ 26,207,769	15.48%	5.56%
2018	0.1887%	\$ 3,845,000	\$ 25,123,007	15.30%	5.73%
2017	0.1939%	\$ 4,177,000	\$ 25,106,006	16.64%	5.47%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 219,353	\$ (219,353)	\$ -	\$ 29,140,121	0.75%
2022	\$ 228,335	\$ (228,335)	\$ -	\$ 27,516,092	0.83%
2021	\$ 232,000	\$ (232,000)	\$ -	\$ 28,147,925	0.82%
2020	\$ 234,000	\$ (234,000)	\$ -	\$ 27,891,412	0.84%
2019	\$ 225,000	\$ (225,000)	\$ -	\$ 27,120,360	0.83%
2018	\$ 217,000	\$ (217,000)	\$ -	\$ 26,207,769	0.83%
2017	\$ 209,000	\$ (209,000)	\$ -	\$ 25,123,007	0.83%
2016	\$ 213,000	\$ (213,000)	\$ -	\$ 25,106,006	0.85%
2015	\$ 215,000	\$ (215,000)	\$ -	\$ 23,830,686	0.90%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

ELIZABETHTOWN AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

Year Ended June 30, 2023

	Capital Reserve	2019 Bond Construction	Total Capital Projects
Assets			
Cash and cash equivalents	\$ 3,237,684	\$ 5,024,295	\$ 8,261,979
Due from other funds	588,841	10,650	599,491
Total assets	\$ 3,826,525	\$ 5,034,945	\$ 8,861,470
Liabilities			
Accounts payable	\$ 240,001	\$ -	\$ 240,001
Due to other funds	10,650	-	10,650
Total liabilities	250,651	-	250,651
Fund Balances			
Restricted	3,575,874	5,034,945	8,610,819
Total fund balances	3,575,874	5,034,945	8,610,819
Total liabilities and fund balances	\$ 3,826,525	\$ 5,034,945	\$ 8,861,470

ELIZABETHTOWN AREA SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CAPITAL PROJECTS FUND
Year Ended June 30, 2023**

	Capital Reserve	2019 Bond Construction	Total Capital Projects
Revenues			
Local sources:			
Investments earnings	\$ 59,158	\$ 88,651	\$ 147,809
Expenditures			
Support Services	182,466	-	182,466
Facilities acquisition, construction and improvement services	534,705	-	534,705
Total expenditures	717,171	-	717,171
Deficiency of revenues over expenditures	(658,013)	88,651	(569,362)
Other Financing Sources (Uses)			
Transfers in	935,661	-	935,661
Total other financing sources	935,661	-	935,661
Net changes in fund balances	277,648	88,651	366,299
Fund Balances:			
July 1, 2022	3,298,226	4,946,294	8,244,520
June 30, 2023	<u>\$ 3,575,874</u>	<u>\$ 5,034,945</u>	<u>\$ 8,610,819</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUND

June 30, 2023

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Student Activity Fund	Total Custodial Fund
Assets						
Cash and cash equivalents	\$ 339,240	\$ 405	\$ 19,992	\$ 78,986	\$ 109,146	\$ 547,769
Accounts receivable					2,275	2,275
Total assets	<u>339,240</u>	<u>405</u>	<u>19,992</u>	<u>78,986</u>	<u>111,421</u>	<u>550,044</u>
Liabilities						
Accounts payable	10,750	-	-	-	-	10,750
Total Liabilities	<u>10,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,750</u>
Net Position						
Restricted for:						
Held in trust for scholarships	103,490	-	-	-	-	103,490
Held in trust for health programs	-	405	-	-	-	405
Endowments	225,000	-	19,992	78,986	-	323,978
Student activities	-	-	-	-	111,421	111,421
Total net position	<u>328,490</u>	<u>405</u>	<u>19,992</u>	<u>78,986</u>	<u>111,421</u>	<u>539,294</u>
Total liabilities and net position	<u>\$ 339,240</u>	<u>\$ 405</u>	<u>\$ 19,992</u>	<u>\$ 78,986</u>	<u>\$ 111,421</u>	<u>\$ 550,044</u>

ELIZABETHTOWN AREA SCHOOL DISTRICT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CUSTODIAL FUND**

Year Ended June 30, 2023

	Scholarship Fund	Health Fund	H.K. Alwine Fund	Northwest Lancaster County Medical Association Educational Fund	Student Activity Fund	Total Custodial Fund
Additions						
Gifts and contributions	\$ 8,765	\$ -	\$ 352	\$ -	\$ -	\$ 9,117
Fees and collections	-	-	-	-	155,523	155,523
Investment earnings	5,966	7	-	1,424	-	7,397
Total additions	14,731	7	352	1,424	155,523	172,037
Deductions						
Student activity expenses	-	-	-	-	146,324	146,324
Scholarship awarded	14,375	-	-	2,000	-	16,375
Total deductions	14,375	-	-	2,000	146,324	162,699
Changes in net position	356	7	352	(576)	9,199	9,338
Net Position:						
July 1, 2022	328,134	398	19,640	79,562	102,222	529,956
June 30 2023	<u>\$ 328,490</u>	<u>\$ 405</u>	<u>\$ 19,992</u>	<u>\$ 78,986</u>	<u>\$ 111,421</u>	<u>\$ 539,294</u>

SUPPLEMENTARY INFORMATION

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

Board of School Directors
Elizabethtown Area School District
Elizabethtown, 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 Elizabethtown Area School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
January 31, 2024

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

Board of School Directors
Elizabethtown Area School District
Elizabethtown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Elizabethtown Area School District's (District) 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 the District's major federal programs for the year ended June 30, 2023. The 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, the District's complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the 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 the 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 the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 GAAS, *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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the 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.

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.

A handwritten signature in black ink that reads "Boyer & Ritten". The signature is written in a cursive style with a large, sweeping flourish under the word "Boyer".

Camp Hill, Pennsylvania
January 31, 2024

ELIZABETHTOWN AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency(ies) identified that is not considered to be a material weakness(es)? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency(ies) identified that is not considered to be a material weakness (es)? ___ Yes X None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3? ___ Yes X No

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Program/Cluster
84.425	Education Stabilization Fund
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? ___ Yes X No

ELIZABETHTOWN AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

ELIZABETHTOWN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Grantor Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Defered) Revenue at July 1, 2022 (Restated)	Revenue Recognized	Expenditures Recognized	Accrued or (Defered) Revenue at June 30, 2023	Provided to Subrecipients
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I- Grants to Local Educational Agencies	84.010	013-230135	22-23	\$ 489,199	\$ 419,886	\$ -	\$ 489,199	\$ 489,199	\$ 69,313	\$ -
Title I- Grants to Local Educational Agencies	84.010	013-220135	21-22	\$ 519,310	105,134	103,378	1,756	1,756	-	-
					<u>525,020</u>	<u>103,378</u>	<u>490,955</u>	<u>490,955</u>	<u>69,313</u>	<u>-</u>
Title II - Supporting Effective Instruction State Grants	84.367	020-230135	22-23	\$ 84,211	65,625	-	79,184	79,184	13,559	-
Title II - Supporting Effective Instruction State Grants	84.367	020-220135	21-22	\$ 101,442	(644)	(4,099)	3,455	3,455	-	-
					<u>64,981</u>	<u>(4,099)</u>	<u>82,639</u>	<u>82,639</u>	<u>13,559</u>	<u>-</u>
Title IV - Student Support and Academic Enrichment Program	84.424	144-230135	22-23	\$ 40,674	35,978	-	40,674	40,674	4,696	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-220135	21-22	\$ 29,842	17	17	-	-	-	-
					<u>35,995</u>	<u>17</u>	<u>40,674</u>	<u>40,674</u>	<u>4,696</u>	<u>-</u>
COVID-19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	200-210135	20-23	\$ 1,465,367	-	-	-	-	-	-
COVID-19 ARP Elementary & Secondary School Emergency	84.425U	223-210135	20-24	\$ 2,964,013	1,077,823	(215,565)	1,397,354	1,397,354	103,966	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Learning Loss Set Aside	84.425U	225-210135	20-24	\$ 164,550	128,648	(8,975)	164,550	164,550	26,927	-
COVID-19 ARP Elementary & Secondary School Emergency 7% Summer School Set Aside	84.425U	225-210135	20-24	\$ 32,910	25,729	16,455	11,344	11,344	2,070	-
COVID-19 ARP Elementary & Secondary School Emergency 7% After School Set Aside	84.425U	225-210135	20-24	\$ 32,910	25,730	(1,795)	17,500	17,500	(10,025)	-
					<u>1,257,931</u>	<u>(209,880)</u>	<u>1,590,748</u>	<u>1,590,748</u>	<u>122,937</u>	<u>-</u>
COVID-19 ARP Elementary & Secondary School Emergency Homeless Children and Youth	84.425W	181-212134	21-24	\$ 25,721	11,871	9,298	4,780	4,780	2,207	-
Total passed through the Pennsylvania Department of Education					<u>1,895,798</u>	<u>(101,286)</u>	<u>2,209,796</u>	<u>2,209,796</u>	<u>212,712</u>	<u>-</u>
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 - Education Stabilization Fund/PCCD Phase II	84.425D	2020-ES-01-35327	20-22	\$ 115,978	113,695	113,695	-	-	-	-
Passed through the Lancaster-Lebanon Intermediate Unit # 13										
Special Education Cluster										
Special Education Grants to States	84.027	062-180013	22-23	\$ 717,697	717,697	-	717,697	717,697	-	-
PaTTAN - Special Education Grants to States	84.027	062-23-0033	22-23	\$ 55,000	55,000	-	55,000	55,000	-	-
COVID-19 ARP Special Education - Grants to States	84.027	N/A	21-23	\$ 156,298	156,298	-	156,298	156,298	-	-
Special Education Preschool Grants	84.173A	131-180013	22-23	\$ 3,638	3,638	-	3,638	3,638	-	-
Total Special Education Cluster passed through the Lancaster-Lebanon Intermediate Unit # 13					<u>932,633</u>	<u>-</u>	<u>932,633</u>	<u>932,633</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education					<u>2,942,126</u>	<u>12,409</u>	<u>3,142,429</u>	<u>3,142,429</u>	<u>212,712</u>	<u>-</u>

(Continued)

ELIZABETHTOWN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2023

Grantor Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2022 (Restated)	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2023	Provided to Subrecipients
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare										
Medicaid Cluster										
Medical Assistance Program	93.778	N/A	22-23	N/A	3,095	-	3,095	3,095	-	-
Medical Assistance Program	93.778	N/A	21-22	N/A	9,305	9,305	-	-	-	-
Total U.S. Department of Health and Human Services					12,400	9,305	3,095	3,095	-	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	10.555	N/A	22-23	N/A	734,453	-	734,453	734,453	-	-
National School Lunch Program	10.555	N/A	21-22	N/A	2,655	2,655	-	-	-	-
					737,108	2,655	734,453	734,453	-	-
School Breakfast Program	10.553	N/A	22-23	N/A	178,657	-	178,657	178,657	-	-
School Breakfast Program	10.553	N/A	21-22	N/A	1,227	1,227	-	-	-	-
					179,884	1,227	178,657	178,657	-	-
COVID-19 - School Breakfast Program - Supply Chain Assistance	10.555	N/A	22-23	N/A	94,963	-	94,963	94,963	-	-
COVID-19- Pandemic EBT Local Admin Funds	10.649	N/A	22-23	N/A	-	-	3,256	3,256	3,256	-
COVID-19- Pandemic EBT Local Admin Funds	10.649	N/A	22-23	N/A	628	-	628	628	-	-
					628	-	3,884	3,884	3,256	-
Total passed through the Pennsylvania Department of Education					1,012,583	3,882	1,011,957	1,011,957	3,256	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donation	10.555	N/A	22-23	N/A	109,350	(10,548)	94,953	94,953	(24,945)	-
Total U.S. Department of Agriculture					1,121,933	(6,666)	1,106,910	1,106,910	(21,689)	-
Total Expenditures of Federal Awards					\$ 4,076,459	\$ 15,048	\$ 4,252,434	\$ 4,252,434	\$ 191,023	\$ -
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555 and 10.559)					\$ 1,121,305	\$ (6,666)	\$ 1,103,026	\$ 1,103,026	\$ (24,945)	\$ -
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)					\$ 932,633	\$ -	\$ 932,633	\$ 932,633	\$ -	\$ -
Education Stabilization Fund (Assistance Listing Number - 84.425)					\$ 2,461,320	\$ (302,452)	\$ 2,992,882	\$ 2,992,882	\$ 229,110	\$ -

See Notes to Schedule of Expenditures of Federal Awards.

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the District’s under programs of the federal government for the year ended June 30, 2023. 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 District’s operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2. Significant Accounting Policies

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. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts 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. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Access Program

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are Federal monies but are classified as fee-for-service revenues and are not considered Federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule for the year ended June 30, 2023, was \$314,106.

Note 4. Prior Year Expenditures

For the year ended June 30, 2023, the District restated the beginning accrued (deferred) revenue amount on the Schedule of Expenditures of Federal Awards to accurately reflect expenditures incurred and revenue recognized in the prior year. The total restatement resulted in a decrease of \$18,388 to the beginning accrued (deferred) revenue amount and impacted the following program:

Assistance Listing Number	Pass-Through Grantor's Number	Total Received fiscal year ended June 30, 2022	Reported	Reported	Corrected	Corrected
			Expenditures/Revenues Recognized for fiscal year ended June 30, 2022	Prior Year Accrued (Deferred) Revenues as of June 30, 2022	Expenditures/Revenues Recognized for fiscal year ended June 30, 2022	Accrued (Deferred) Revenues as of July 1, 2022
84.425D	200-210135	\$ 1,016,790	\$ 558,656	\$ 18,388	\$ 540,268	\$ -

ELIZABETHTOWN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

There were no prior year's audit findings.